FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,318 — Friday May 11 1984 — D 8523 B

The Ambrosiano saga nears an end, Page 16

NEWS SUMMARY

GENERAL

Namibia talks open in Lusaka

Talks on Namibia, chaired jointly by South Africa and Zambia, open today in Zambia's capital Lusaka amid cautious optimism that a breakthrough in the 17-year-old dispute is within reach.

Formal opening of the talks, attended by Sam Nujoma, leader of the South West Africa Peoples' Organisation, takes place this afternoon, but a series of bilateral discussions are already under way. Page 18

East Germany out

East Germany announced it will not send a team to the Los Angeles Olympics, following the Soviet Union's pull-out decision on Tuesday. Page 2

P2 row flares up

Italy's Prime Minister Bettino Craxi rejected the resignation of three ministers after one of them had been confirmed as a member of the P2 masonic lodge. Page 2

Mateos extradition

Spain is to request officially the extradition from West Germany of Jose Maria Ruiz-Mateos, the fugitive financier currently detained in Frankfurt. Page 3

Police tackle pupils

Police with whips broke up a crowd of 400 black South African pupils refusing to attend classes at a school in Atteridgeville near Pretoria.

Pope in Thailand

The Pope met Thailand's King Bhumibol Adulyadej after arriving to a simple but warm welcome to the country.

Quebec sniper held

A sniper who shot and wounded two people in Quebec surrendered after a 24-hour siege of his house. The incident follows Tuesday's killing of three people in the city by a Canadian soldier.

Sikh priest shot

A former head priest of the Sikh religion was shot dead by gunmen in Amritsar, northern India.

Killer executed

Convicted killer James Adams died in the Florida electric chair, the first black to be executed in the state since 1964.

Cyclist dies

Portuguese cyclist Joaquim Agostinho, 41, died 10 days after fracturing his skull in a fall while leading the Tour of the Algarve race.

Ballet star sues

Ballet star Natalia Makarova brought a $25m negligence suit over injuries suffered when a piece of scenery fell on her during a performance of On Your Toes at Washington's Kennedy Center in 1982.

Petrel comes down

A bird thought to be extinct, MacGillivray's Petrel, was found by British naturalist Dick Watling in Fiji. He lured it down at night using a torch and it crashed into his head.

Briefly . . .

Floods killed six in Brazil's southern state of Rio Grande do Sul.

San Francisco fire destroyed four piers and a warehouse.

Corsican air controllers stopped all flights to France in protest over a bomb attack.

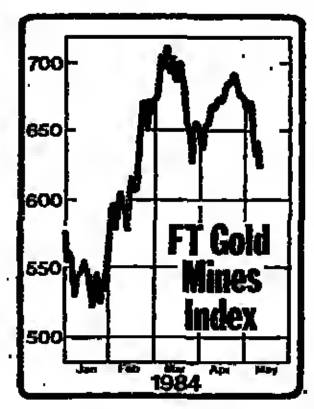
BUSINESS

Shell has 90% of U.S. offshoot

ROYAL DUTCH/Shell Group looks likely to win its battle to take full control of its U.S. subsidiary Shell Oil following the announcement that it now holds over 90 per cent of Shell Oil shares. Page 18

SOUTH AFRICA gold share prices suffered further setbacks in London. The Gold Mines index fell 20 points to 623.2, a fall of 53 this month. Page 35

GOLD rose $⅝ in London to $373¾. In Frankfurt it rose $¼ to $373¾, but in Zurich it fell $⅝ to $372. Page 40



DOLLAR rose to DM 2.772 (DM 2.768), SwFr 2.284 (SwFr 2.2775) Y229.1 (Y228.75) and FFr 8.5225 (FFr 8.4825). Its Bank of England trade-weighted index was 131.9 (131.6). In New York it was DM 2.7775, SwFr 2.289, FFr 8.520 and Y229.55. Page 41

STERLING fell 50 points to $1.385 and to DM 3.8425 (DM 3.845), SwFr 3.165 (SwFr 3.1675) and Y317.5 (Y318.25); but rose to FFr 11.8 (FFr 11.785). Its trade-weighted index was 80.1 (80.0). In New York it was $1,384. Page 41

LONDON: FT Industrial Ordinary index fell 11.3 to 884.9. The tone among gilt-edged stocks was even more depressed. Report, Page 35; FT Share Information service, Pages 36, 37

TOKYO: Nikkei Dow index fell 180.58, the largest one-day loss this year, to 10,879.71. Stock Exchange index fell 12.99 to 852.8. Report, Page 31; leading prices, other exchanges, Page 34

WALL STREET: Dow Jones index was up 1.67 to 1,167.19 at the close. Report, Page 31; full share listings, Pages 32–34

REAGAN ADMINISTRATION began three days of talks in Washington aimed at warding off new protectionist measures.

HONG KONG'S Hang Seng index fell 18.4 to 921.31 as heavy selling by UK investors followed news of a row between the British Government and Hong Kong officials. Page 4; Report, Page 31

CANADA is to relax controls on domestic airlines to encourage lower fares and more carriers. Page 8

ARGENTINA'S President Raul Alfonsin said the rise in U.S. interest rates was threatening the country's stability. Page 8

ISRAEL'S foreign debt reached a record U.S.$29.3bn last year. Page 4

AUSTRALIA had a trade surplus of A$424m ($386m) in April, the largest ever. Page 4

ITALY'S employers' association, Confindustria, acclaimed a new president. Page 2

The editorial content of today's international edition has been restricted because of continuing industrial action by IG Druck und Papier at Frankfurter Societäts-Druckerei, where the edition is printed. This prevents the publication of late-breaking news, the final Wall Street report and closing U.S. over-the-counter and Canadian share prices.

BONN SPENDS HEAVILY TO DEFEND D-MARK

Central banks act to limit effect of dollar's surge

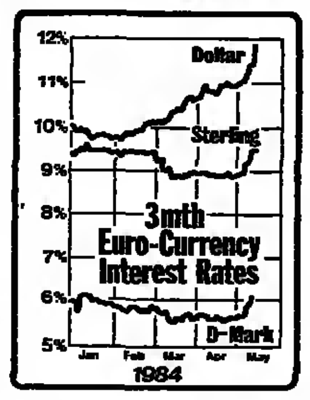
BY MAX WILKINSON, ECONOMICS CORRESPONDENT, IN LONDON

THE WEST GERMAN Bundesbank intervened heavily in the foreign exchange markets yesterday to resist the threat to its interest rates posed by continued pressure on the D-Mark from the rising dollar.

Several other central banks, including the Bank of Japan, joined in the effort to rein back the dollar and so limit the effect in their economies of recent rises in U.S. interest rates.

The Bank of England, however, signalled its reluctant approval of the 0.5 to 0.75 percentage point rises in UK clearing banks' base ending rates "imported" from across the Atlantic. It intervened only modestly as sterling fell 50 points to a record closing low of $1.385 in London.

The Bundesbank spent about $300m of its foreign currency reserves yesterday to meet the selling pressures in Frankfurt and London as investors switched out of D-Mark bonds into dollar assets. The one-year Eurodollar interest rate is now 6 percentage points higher than the equivalent Euro-D-Mark rate, but only about 2½ points above the Eurosterling rate.



The Bundesbank is thought to have intevened with up to $700m over the past three days to defend the D-Mark.

The West German authorities are particularly anxious not to narrow the interest rate gap by raising their own rates in the face of the threatened strike by German metalworkers. They fear that an interest rate rise would be seen as provocative by the workers because it would tend to slow the economic growth rate and so reduce the prospects of cutting employment.

On the other hand, the West German authorities appear highly unwilling to let the D-Mark slip below the important level of DM 2.80 to the dollar, because of inflationary risks.

It is considered likely in the markets that this is the level at which a rise in official German interest would be triggered.

The British authorities made clear that they saw no domestic reason for Wednesday's rise of base lending rates to 9–9¼ per cent nor any need for a further increase.

The Bank of England reluctantly followed market rates up by raising the rates at which it supplied funds to the banking system by half a per-

Continued on Page 18

More speculators, please, Page 17; Money markets, Page 41

Brazil protests to U.S. over interest rate rise

BY ANDREW WHITLEY IN RIO DE JANEIRO

BRAZIL has sent an official protest to the governments of its major creditor nations complaining about the impact of Tuesday's half percentage point rise in U.S. prime rates.

Issued on President João Figueiredo's personal instructions, the note, which has also been sent to other Latin American debtors, says that recent increases in interest rates have wiped out a significant part of Brazil's efforts to restore equilibrium to its balance of payments.

Amid signs that other Latin American nations are also deeply upset by the latest upsurge in rates – yesterday Argentina's President Raul Alfonsin said the rise was threatening economic and social stability as well as threatening his country's ability to solve its $43.6bn debt problem – Brazilian officials have also begun publicly to take a markedly less compliant stand towards their foreign creditors.

Two senior ministers called yesterday for "new formulas" to cope with the country's increasing debt service burden. This is a marked reversal of their previous rigid adherence to a market-related solution to Brazil's debt-refinancing programme. Brazil's total debt is expected to reach $100bn this year.

Speaking in Washington, where he is holding talks with the World Bank and International Monetary Fund, Sr Antonio Delfim Netto, Planning Minister, said "some form of capitalisation (of interest payments) is fundamental."

A more general call for a new formula to allow Latin American countries to renegotiate their debts in a way which "will not impoverish us," was made in Brazilia by Sr Saraiva Guerreiro, Brazil's Foreign Minister, who is normally highly conservative.

This is the first time since the debt crisis started that a leading debtor nation has issued a note of protest on interest rate rises. It is believed to reflect President Figueiredo's personal sense of frustration over the rates issue.

Last month, in an impromptu addition to a formal speech to the visiting Mexican President, General Figueiredo complained about the impact on debtor countries of the earlier 1 per cent rise in U.S. rates.

Alfonsin warns of interest rates; Central bankers spot smoke, Page 8

Pechiney may list subsidiaries on Bourse to raise finance

BY PAUL BETTS IN PARIS

PECHINEY, the French nationalised aluminium group, is considering the possibility of listing some of its subsidiaries on the bourse to help to raise equity capital to finance heavy investment programmes.

M George Besse, chairman, suggested yesterday during his first meeting with financial analysts since Pechiney was nationalised that the listing of subsidiaries was envisaged although nothing had been decided.

A senior Pechiney financial executive also confirmed that Pechiney, like other major nationalised French companies, was looking towards the equity market as a way of raising funds. In Pechiney's case the company was studying the possibility of listing a subsidiary which would incorporate some of the group's French and international operations.

After receiving substantial financial support from the Government, its sole shareholder, Pechiney is unlikely to receive much direct state aid in the future. Its capital endowment from the Government this year totalled only FFr 150m ($17.6m). The group's financial recovery will also act as a further argument for less direct state aid. But the company has continuing heavy financial needs for its investments, which totalled FFr 3bn last year and are likely to total about FFr 3bn this year.

M Besse announced a substantial decline in Pechiney's group loss last year to FFr 463m compared with a deficit of FFr 2.8bn in 1982. He said he was negotiating an agreement with the French electricity utility to enable Pechiney to reduce its industrial electricity costs.

M Besse negotiated a novel agreement last year with Electricité de France to reduce the group's domestic electricity costs, which represent a major component in aluminium production costs. This involved acquiring a share in an unspecified French nuclear power plant giving Pechiney some 2bn kWh in lower-cost electricity. But he said yesterday that Pechiney needed more cheap power in France.

Pechiney's sales last year rose 13.3 per cent to FFr 29bn from FFr 25.6bn in 1982. The total costs of products for Pechiney rose by a lower rate of 5.9 per cent to FFr 28.1bn last year.

The group also reported a FFr 661bn operating profit for 1983 compared with an operating deficit of FFr 1.4bn the year before. This was largely due to a recovery in demand and prices in the aluminium market, cost controls and, to a smaller extent, to the favourable currency translations between the U.S. dollar and the French franc.

● Alcoa (Aluminum Company of America) has purchased a majority interest in Forges de Bologne, which employs 760 people and specialises in high quality aluminium forgings for the aerospace and commercial markets. No price for the deal was given.

In March 1983, Alcoa acquired a premium casting foundry in France, Fonderie Alcoa-Mg in Grenoble, which also specialises in the aerospace and military markets.

IG Metall to start strikes on Monday

BY RUPERT CORNWELL IN BONN

IG METALL, the largest West German trade union, yesterday opened what may prove the country's most serious industrial battle in years by calling full-scale strikes from Monday at selected plants in northern Baden Württemberg, near Stuttgart.

The decision, in support of the union's demand for a 35-hour-week, was taken in Frankfurt at a special meeting of the executive of IG Metall, which represents 2.6m workers in the steel, engineering and motor industries.

It followed swiftly upon the announcement of successful strike ballots in the Stuttgart and Frankfurt areas in recent days. Both yielded votes for strike action of over 80 per cent, comfortably above the 75 per cent required by union rules.

Exactly which companies will be affected on Monday will only be made public today. But the darkening labour outlook helped to drive the D-Mark down against the dollar once again – and prompted further pleas for compromise from Chancellor Helmut Kohl and Herr Norbert Blum, Labour Minister.

The signs were last night that, initially at least, the disruption would be comparatively modest.

Herr Hans Mayr, chairman of IG Metall, said after the meeting that "only a few" companies would be hit at first, ruling out an immediate blanket strike which would involve most or all of the union's 206,000 men in North Baden-Württemberg who backed the strike call.

His cautious approach is ostensibly to give the employers a final chance to drop their flat insistence that the basic 40-hour week must remain in force. However, it may also reflect the persisting doubt whether his mens' hearts are really in a protracted conflict.

But the two sides still seem as far apart as ever. Herr Wolfram Thiele, president of the national engineering employers association, last night gave the clearest hint so far that management would stage retaliatory lock-outs if the strikes got worse.

At the same time, the 1.2m-strong public sector workers union (ÖTV) called on members to stage nationwide "solidarity" demonstrations

According to IG Druck, the militant print union which is also demanding a 35-hour week, 16,000 men in 100 printing plants struck yesterday. Although the publishers' association claimed that numbers were smaller, many newspapers throughout the country were again facing severe production problems

World Court backs Nicaraguan claim

BY WALTER ELLIS IN AMSTERDAM

THE International Court of Justice in The Hague yesterday called on the U.S. to cease any support for military action aimed against the left-wing Sandinista Government in Nicaragua.

The world court's 15 judges voted unanimously to request Washington immediately to stop hindering access to Nicaragua through the mining of its ports. By 14 votes to one, the court also said Nicaragua's right to sovereignty and political independence "should not in any way be jeopardised by any military and paramilitary activities."

Yesterday's interim ruling, supporting Nicaragua's claim that the U.S. is unlawfully seeking to bring down its Government, is a significant propaganda blow against President Ronald Reagan's Central American policies.

Sr Carlos Arguello Gomez, head of the Nicaraguan delegation to the World Court, yesterday described the move as "a moral victory." "The U.S. now has two possibilities, obey the law or become an international outlaw," he said. The verdict would have a positive effect on the Contadora process under which the governments of Venezuela, Colombia, Panama and Mexico are seeking to put together a peaceful solution to the problems of Central America.

Mr Davis Robinson, the chief U.S. delegate to the court, said after the verdict that Washington still awaited a fuller hearing of the case. Last month, Mr Robinson told the court that his government would not regard any verdict on the Nicaraguan claim as binding.

Democrats criticise Central America call, Page 8; Editorial Comment, Page 16

US agency in bid to end Conti Illinois rumours

By William Hall in New York

THE U.S. Comptroller of the Currency who, with the Federal Reserve, supervises U.S. banks took the unusual step of issuing a statement yesterday, attempting to squash the mounting rumours about the financial position of Continental Illinois, the country's eighth biggest banking group.

Mr C. T. Conover, the Comptroller, commenting on a "number of recent rumours" about Continental Illinois which have "caused some concern in the financial markets," said yesterday that his agency was "not aware of any significant change in the bank's operations as reflected in its published financial statement that would serve as a basis for these rumours."

He noted that the bank's financial ratios compared favourably with those of other major multinational banks.

Ahead of Mr Conover's comments, rumours about Continental Illinois had swept through the markets, hitting the money markets in particularly. Continental Illinois shares, which have fallen by more than 50 per cent in the last 12 months, dropped a further $⅞ yesterday morning to $12⅞ – a new low.

Continental's shares headed the most active list on the New York stock exchange. Concern about Chicago's largest bank spilled over into all the other major financial markets, producing sings of a "flight to quality in the money markets reminiscent of trading during the start of the international banking crisis in the autumn of 1982.

While short-term Treasury bill rates fell by about 10 basis points, in sharp contrast bank certificate of deposit rates increased by about 25 basis points at one stage. The move was seen in the markets as a general desire to swap bank paper for U.S. Government-backed securities.

Traders noted that Continental Illinois, which has been paying a premium for its funds, was not the only bank to suffer in recent weeks as nervousness about the international banking crisis has once again re-emerged.

The financial markets' concerns about Continental Illinois centre on its $2.3bn portfolio of non-performing loans, which have been inflated by over aggressive energy lending, and are proving to be a major drag on its earnings power.

Wall Street report and prices, Page 31–34

Eurobonds, Page 42

CONTENTS

EUROPEAN NEWS

Row erupts in Italy over P2 lodge report

BY JAMES BUXTON IN ROME

THE LONG-SMOULDERING issue of the P2 Masonic lodge burst back into Italian politics with a vengeance yesterday, as Sig Bettino Craxi, the Prime Minister, rejected the resignation of three ministers after one of them had been confirmed as a member of the secret organisation.

The action of the Prime Minister, who said he shared the "indignation" of the accused minister and had full confidence in him, sparked off a furious political reaction in Rome last night.

Sig Pietro Longo, the Minister of the Budget and leader of the Social Democrat Party, offered his resignation in protest against leaked copies of a draft report by the parliamentary committee investigating the lodge, the discovery of which brought down a government in 1981.

The report said that the list of members of the P2 lodge found at the home of the lodge's grandmaster, Sig Licio Gelli, was "truthful." It also said that the listed members were responsible for belonging to an organisation "whose evident aim was to inerfere in the life of the country in a surreptitious way."

Among the 962 names found in the list was that of Sig Longo, though he has always denied that he was in any way an active member. He became a minister last August. All ministers and most officials and government appointees named in the list resigned at the time.

Yesterday Sig Longo went to see Sig Craxi, along with the other Social Democrat ministers, Sig Franco Nicolazzi and Sig Pierluigi Romita. They apparently expressed their "indignation" at what the report said, which they claimed amounted to "arbitrary judgment" and "defamatory intention" against the Social Democrat Party.

The report confirmed much of what had been vaguely known about the infiltration of Sig Gelli's lodge into Italian politics, the military, the secret service, business, the Press and the magistrature. It also confirmed the involvement of the lodge with acts of both right-wing and left-wing terrorism in the 1970s. Sig Gelli, it said, was an agent of East European powers before joining the Italian secret services.

New hand on Confindustria helm plans to alter course

BY OUR ROME CORRESPONDENT

ITALY'S PRIVATE employers' association, Confindustria, yesterday acclaimed a new president whose four-year term promises to bring a significant change of emphasis in the organisation's dealings with the Government and unions.

The new president, elected almost unanimously earlier this week, is Sig Luigi Lucchini (65), who heads an industrial group based at Brescia which started as one of the region's many small steel producers.

Sig Lucchini was supported for the presidency by the industrialists of northern Italy led by Sig Gianni Agnelli, chairman of Fiat, who expects him to consolidate the employers' gains of the last few years.

However, Sig Lucchini indicated yesterday that he may move away from narrow concentration on the issue of wage indexatation and seek broader reform of the structure of pay and labour regulations in order to make industry more productive at a time of marked technological change.

"Our determined and consistent 'No' to new forms of (wage) indexation or unjust automatic mechanisms is part of a solid proposal to search for new parameters and values in determining the Italian employee's pay packet: productivity, skill, merit and hard work," he said.

It was on this basis that the employers intended to resume the dialogue with the union movement which is currently badly divided over the issue of the Government's decree on indexation.

Confindustria's influence has grown considerably in the past four years under the outgoing president, Sig Vittorio Merloni, who heads Ariston which makes domestic electrical products. He led a counter-offensive by private industry to have its voice heard after a decade during which the unions largely called the tune on economic policy and the strength of many private sector groups declined.

Sig Merloni focussed public and government attention on the issue of wage indexation and after interminable negotiations managed to obtain agreement in January last year on reducing the *scala mobile* indexation system for the first time. That was followed last February by a further temporary cut by government decree.

Many employers believe Confindustria has made its point on wage indexation and that the time has come for a broader strategy. A leading supporter of this idea is Sig Carlo de Benedetti, chairman of Olivetti, who was elected a vice president.

Sig Lucchini yesterday concentrated much of his speech on attacking the wasteful policies of faint-hearted governments whose consequence is Italys immense public sector borrowing requirement—a serious cause of inflation and high interest rates.

BAGNOLI, THE state-owned steel plant on the outskirts of Naples, reopens on Monday after an agreement between Italsider and the unions under which 4,200 workers, laid off since autumn 1982 will go back to work. Some 1,900 workers are to be offered early retirement.

The reopening has been made possible by the EEC's decision last January to allow Italy to make use of "flexibility" in the quota system to produce 450,000 tonnes of steel this year from a new hot rolling mill there. It has a political rather than economic justification.

UK seeks to show benefits of greater competition in the air

BY JOHN WYLES IN BRUSSELS

MR NICHOLAS RIDLEY, Britain's Minister of Transport, yesterday led a carefully orchestrated demonstration to other EEC countries of how airline prices could be slashed if governments allowed more competition.

Within a few hours of informing other transport ministers that British airlines would no longer be required to consult partner-carriers on fare levels, he brandished a British Airways announcement of a £49 bargain return fair between London and Amsterdam. This compares with the club class return fare of £150 and an Apex return of £89.

The Government's move takes it out of the European Civil Aviation Tariff Agreement of 1967 and is an example which London wants the rest of the EEC to follow. However, Mr Ridley's performance yesterday was not quite all it seemed.

While claiming that "things are moving very fast," he acknowledged that any British airline's power to reduce fares unilaterally was limited by readiness by countries on the routes affected to accept them. As yesterday's BA announcement made clear, the fare has been agreed with the Dutch airline, KLM, and is being jointly introduced. It is no coincidence that only the Dutch Government matches Britain's enthusiasm for a freer and more competitive air transport regime in Europe.

Nevertheless, combined pressure from the two governments, plus helpful proposals from the European Commission, produced an agreement by all 10 ministers yesterday to set up a high level group of officials. This will examine the Commission's proposals, consider any additional proposals from member governments and produce recommendations by the end of the year.

A parallel official group will also be created to review "the content and the timing" for progress on the harmonisation and liberalisation of road transport.

Ministers also agreed to end the long-running negotiation on maximum lorry weights for use in intra-Community transport by reaching a compromise before the end of the year. This will set the weight limit at 40 tonnes, while allowing the UK and Ireland to maintain a 38-tonne maximum for a period which has yet to be determined.

E. Germany follows Moscow out of Olympics

By Our Foreign Staff

EAST GERMANY, one of the world's foremost sporting powers, dealt another crushing blow to the Los Angeles Olympics by becoming the third country after the Soviet Union and Bulgaria to pull out.

Echoing statements from Moscow and Sofia the previous day, the East German National Olympic Committee said it was boycotting the games because there was no guarantee in Los Angeles for the security of its athletes and other personnel.

The East German withdrawal will mean the absence of a country which is consistently one of the top three medal-winners at the winter and summer Olympics. The Soviet Union's other allies are now expected to follow suit, with the exception of independent-minded Romania.

Czechoslovakia said one of its top sports officials was in Moscow for consultations and that a decision on its Olympic participation would be reached in the next few days, while Hungary was also reported to have sent its Olympic committee president to the Soviet capital. There were also indications that Poland was pulling out.

East Germany's move came as a diplomatic campaign to persuade the Soviet Union to change its mind as the boycott got underway. Mr Juan Antonio Samaranch, the President of the International Olympic Committee, said in Lausanne that he was seeking a meeting with President Konstantin Chernenko and intended to hand over an "important" letter from President Ronald Reagan on the subject.

There were no signs, however, of a change of heart in the Kremlin. A senior Soviet sports official was quoted yesterday by Tass news agency as criticising Mr Samaranch, who is a former Spanish arbassador to Moscow.

Mr Jesse Jackson, the Democratic contender for the U.S. presidential nomination, who went to see the Soviet ambassador in Washington yesterday to nrge Moscow to change its mind, said only an initiative from Mr Reagan could break the deadlock.

Commission bid to boost research

By Our Brussels Correspondent

EEC companies will be entitled to financial help to develop biotechnology research programmes under a £92.3m five-year research action scheme devised by the European Commission.

Proposals sent to the Council of Ministers could represent an important extension of the Community's industrial policy into the biotechnology sector. As with the Esprit programme, which is concerned with microtechnologies, they aim to stimulate pre-competitive research into biotechnologies.

"A new initiative is needed . . . to create an effective common market for the products of biotechnology, to create the conditions for competitive and innovative applications of biotechnology within the Community, and to advance the basic and pre-competitive research on which such innovations must be founded," says the Commission.

It proposes that the EEC budget should contribute Ecu 88.5m of the Ecu 153.8m total cost of the five year programme. The remainder would be provided by national governments.

The bulk of the EEC's contribution, Ecu 69m, would be spent on research programmes and the training of biotechnology scientists. Industries would be invited to submit research proposals and a special effort would be made to stimulate joint collaboration between public and industrial laboratories.

Priority areas have been identified as bio-reactors, genetic engineering, physiology and genetics of species important to industry and agriculture, technology of cells and tissues cultured in vitro, and the assessments of risks.

The Commission says the proposed budget should allow around 200 contracts to be established with an average duration of four years and an annual EEC contribution of Ecu 70,000 (£40,600) per contract.

On training, the Commission says that it is still not possible to quantify the precise requirement for trained scientists but biotechnology training courses are already "hugely over-subscribed."

Dutch halt work against cruise

A SURVEY carried out yesterday indicated that 750,000 Dutch employees had responded to a trade union appeal to halt work for 15 minutes to show opposition to the deployment in the Netherlands of U.S. cruise missiles, Walter Ellis reports from Amsterdam.

The poll found that some 10 per cent of small businesses and 40 per cent of larger enterprises were affected by the short stoppage. In those factories and offices where action was taken, an estimated 50 per cent of workers were involved. Many trains were halted during the stoppage, which took place from 11.45 am until noon.

Mr Wim Kok, president of the FNV union federation which had urged the action, claimed that it was a great success.

Danish payment to Nato stopped

THE DANISH parliament yesterday stopped a Dkr 48m (£3.4m) payment due to Nato on the initiative of the opposition Social Democratic Party, Hilary Barnes writes from Copenhagen.

The payment was the second part of a Danish contribution of Dkr 75m to Nato for spending on infrastructure for the deployment of Pershing 2 and cruise missiles (none of which will be sited in Denmark).

The non-socialist coalition Government abstained when the issue was put to the vote. The Social Democrats opposed the deployment of the new missiles and on this issue are able to obtain majorities against the Government.

Papandreou lauds Soviet 'struggle for detente'

BY ANDRIANA IERODIACONOU IN ATHENS

THE GREEK Prime Minister, Mr Andreas Papandreou, yesterdsy praised the Soviet Union as an agent of detente and a brake on U.S.'s world-wide expansionism. He also repeated his determination to disengage Greece from the Western stratgic camp.

By contrast, he adopted his most positive attitude so far towards the Eurnpean Community, saying that "withdrawal under the present circumstances would hurt the Greek economy."

He also warned delegates to the first congress of his Panhellenic Socielist Movement (Pasok), that they must expect the private sector to be around for some time before Socialist economic goals can be implemented." The co-existance of the public and the private sector is our only chance for balanced development," he said.

Mr Papandreou said that "the Soviet Union's struggle for detente is genuine. We cannot say that the USSR is an imperialist power, unlike the U.S. It is a force against the spread of capitalism and imperialism."

His hard foreign policy line was seen as an attempt to head off expected grass roots criticism about the softening of some Pasok's Third World ideological positions since the party came to power in October 1981.

Moscow's is one of the largest of the 60 foreign delegations at the congress. Also represented are Cuba, the East bloc states, Latin American and Middle Eastern countries, and the Palestine Liberation Organisation.

FINANCIAL TIMES, USPS No 190640 published daily except Sundays and holidays. U.S. subscription rates $420.00 per annum. Second class postage paid at New York NY and at additional mailing offices. POSTMASTER: send address changes to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

EUROPEAN NEWS

Spain will request Ruiz Mateos extradition

By Tom Burns in Madrid

SPAIN IS to request officially the extradition from West Germany of Sr Jose Maria Ruiz Mateos, the fugitive financier currently detained in Frankfurt. This should clear the way for his return possibly before the end of this month to face currency and other monetary charges.

The decision to press for extradition was taken at a midweek cabinet meeting. Foreign ministry officials said they were waiting for the relevant papers from the Justice Department and that these would be passed to the Spanish embassy in Bonn.

Sr Ruiz Mateos (53), the former chairman of the Rumasa business and banking conglomerate, has been held since April 25 when he was arrested at Frankfurt airport on arrival from the U.S. His detention followed a request through Interpol from a Madrid judge.

Officials said that it was necessary under the Spanish-West German extradition agreement for the Madrid government to endorse the extradition request. Sr Ruiz Mateos's legal advisers here were quoted yesterday as saying it would be difficult to block the extradition.

The extradition request is based on charges concerning currency offences, forgery, appropriation of tax funds and social security fraud, and followed investigations into Rumasa after it was expropriated by the state in February last year. Sr Ruiz Mateos has denied the allegations.

A separate case over alleged insults to King Juan Carlos is also pending against Sr Ruiz Mateos but this has not been included in the extradition request. That case is based on statements Sr Ruiz Mateos made in the Spanish Press against several prominent Spaniards earlier this year.

Sr Ruiz Mateos has lived in London for most of the past year, moving there shortly after Rumasa was expropriated. The Government's case, that it took over the group in order to avert its financial collapse, was upheld by the Constitutional Court last December.

Former chateau is example for small business in France

BY PAUL BETTS IN PARIS

"I SIMPLY could not bear living surrounded by ruins. I had no fortune behind me, so I decided to go into business," said Mme Alyette de la Sablière, chatelaine of the Locguénolé chateau on the west coast of Brittany. She took a management course, got a bank loan, and transformed her chateau into a four-star hotel with a top chef. This year she expects a turnover of FFr 8m ($943,000) and the restaurant has two stars in the Michelin Guide.

Mme de la Sablière's riches to rags and back to-riches story has turned her into a specialist adviser to other chateau owners trying to hold on to their estates without losing their shirts. The Socialist Government's capital tax on large fortunes means that any estate held on a non-professional basis becomes a liability for its owners.

She employs 49 people. If she employed 50, under the new French labour laws she would have to introduce a works council, which Mme de la Sablière believes would be unsuitable for her kind of business.

"I see myself as the head of a medium-sized enterprise," she said, and although many people thought the chatelaine was dotty to go into this business in 1968, she has proved she can do it successfully.

When the Socialist Government came to power in 1981, there were fears that Mme de la Sablière's business would be badly hit together with the other privately and independently owned stately homes and chateaux which form the Relais et Châteaux hotel chain.

"French clients were clearly apprehensive about coming to a place like this and signing the register, which could then be checked by the fiscal authorities. But after a moment of fear, they have got used to the new political climate and are coming back," Mme de la Sablière says.

Despite the recession, the Chateau de Locguénolé has continued to thrive, although it has not been easy. The Government raised VAT from 7 per cent to 17.6 per cent and then to 18.6 per cent, and imposed a price freeze. Now that the freeze has been lifted, Mme de la Sablière expects business to grow by about 20 per cent this year.

Because the chateau attracts more foreign visitors than French, she can take advantage of low-interest loans which the Socialist Government has made available to four-star hotels where foreigners account for more than 50 per cent of the receipts.

The Government has also recently decided to help hotels in the Relais et Châteaux chain with foreign promotion – an encouraging sign but not so helpful for this chateau because of its location. "We are not on any obvious circuit, tucked away in the far west of Brittany," she says.

So she devised a tour of local chateaux and hostelries with Brittany Ferries, the cross-Channel ferry company, and sold the tours as packages in Britain. She has just launched another tour, taking in Normandy, with an eye on the U.S. market.

The chateau, destroyed in the French Revolution and later rebuilt, is charming. But perhaps its greatest attraction is its cuisine, among the best in France. The kitchen was specially built for Mme de la Sablière's chef, M Michel Gaudin. Although the restaurant could probably get three stars, Mme de la Sablière does not want it upgraded. "Three stars would frighten many people away and change the clientele. We would start getting people who come to compare and criticise."

Although the restaurant accounts for about two thirds of the hotel's turnover, the profit margins are low at a mere 2 per cent. The margins for the rooms are much higher at about 15 per cent. Mme de la Sablière is now regularly approached to sell her business – Arab interests are currently buying up several hotels and large estates in France. But she has no intention of selling. Indeed, she plans to expand, perhaps even to buy another hotel in the Relais et Châteaux chain.

She is about to lease an IBM personal computer and is modernising her enterprise along the guidelines recently set by the Government for the growth and expansion of small and medium-sized businesses in France. "I want to preserve the chateau and estate but above all I regard this as a business," she says.

Divided Philippines Opposition wastes its best election chance for years

BY CHRIS SHERWELL IN MANILA

A FEW MONTHS ago, the National Assembly election which takes place in the Philippines on Monday promised to confront President Ferdinand Marcos with his sternest test in 18 years of often repressive rule. The brutal assassination last August of Mr Benigno Aquino the Opposition leader had brought people onto the streets in mass protests. A $25bn debt crisis precipitated by the killing had annoyed the country's bank creditors. The strength of the Opposition was growing and Mr Marcos looked sick and vulnerable.

Now the Opposition's hopes of winning 50 seats out of the 183 being contested are dismissed as fanciful. Marcos-backed candidates are expected to procure a massive victory, giving the President bolb proof of his popularity and a small Opposition to show that democracy has prevailed.

This election ought to have been a political milestone, for the country. It is the first for the assembly not being held under martial law and had been expected to offer an unusual opportunity for the Opposition to organise openly.

Instead, the 45-day campaign has descended into a typical free-for-all, in which personal lusts for power, traditional loyalties and naked intimidation have been uppermost and the influence of plenty of hard cash unmistakable.

Belying the festive atmosphere, several officials and supporters have been shot or stabbed, some candidates have backed down or switching parties, and others are standing only to split the Opposition vote.

The ruling Kilusang Bagong Lipunan (KBL) or new society movement, after some early squabbling among aspirant candidates, has used its well-oiled election machine to great effect and has received heavy backing from the media.

President Marcos, though not himself up for election for three years, has helped by pushing through some hefty wage increases and making sure there are no shortages in the shops or problems at the petrol stations before polling day. Tomorrow he appears on nationwide television, although the campaign will have officially closed.

His wife Imelda, who is governor of the vast conurbation of Metro Manila and is also not standing for office, is said to be keen on producing a clean sweep of KBL candidates in the capital. If she succeeds, the result will be contrary to all expectations, but nobody expects a clean count. New voters' rolls have been manipulated all over the country and the indelible ink introduced to prevent double voting has been discredited.

The Opposition is considered to have shot itself in the foot. It had won important poll concessions from President Marcos, including the new registration of voters and the conversion of large regional constituencies into smaller ones. But he refused to purge the official Election Commission which the Opposition distrusts as a fair election organiser, or repeal his own decree-making power, which undermines the powers of the legislature.

The Opposition was unable to agree on whether Mr Marcos had made enough concessions. Those who believed that the assembly would be a powerless body without further reforms decided to boycott the election, provoking a split. Those who decided to stand soon found that their telephones were not working and they were having trouble getting permits to hold meetings.

The divided Opposition, with its solidarity built up after the the Aquino killing dissolved, has simply been ignored by the Government. It refused to discuss the economic crisis and replaced the original commission of inquiry into Mr Aquino's death with one which will finish its work after the election.

Although the new commission is expected to dismiss the Government's version of events—that Mr Aquino was slain by a man who was later shot by the security forces at Manila airport — it may still fail to unearth the truth.

A disappointing election performance by those in the Opposition taking part could provoke more middle-class protest later.

The deteriorating economic picture will be one focus of discontent, the Aquino murder findings another. The first anniversary of Mr Aquino's death falls in three months' time, a further occasion for protests, but the real objective will be the 1987 Presidential election.

Whatever the result, this time it is likely to have little effect on the palpable sense of malaise now engulfing the Philippines.

The Government is unable to pay its debts, has been caught cooking its books and has still to take the tough measures necessary to secure a $4bn international rescue package. These measures include the third devaluation of the peso in a year, something Mr Marcos has tried to resist, and increases in consumption taxes, both of which will further fuel inflation.

President and Mrs Marcos, with three-year-old niece . . . another victory assured.

Hong Kong shares fall, exports up

BY DAVID DODWELL IN HONG KONG

HONG KONG'S Hang Seng share index took another battering in late trading yesterday as heavy selling by UK investors followed news that an embarrassing row is brewing between the British Government and Hong Kong political figures concerned about developments in the secret Sino-British talks on the future of the colony.

The index fell by 18.4 points to close at 921.31, its lowest point for more than four months and almost 250 points below the 1984 high just two months ago.

On the trade front, however, there was good news, with international demand for Hong Kong exports surging by more than 50 per cent during the past year. According to government statistics released yesterday, local industry seems to be performing strongly in spite of the Colony's political anxieties.

During the first quarter of 1984, exports amounted to HK$28.1bn (£2.55bn), 51 per cent above the HK$18.6bn of exports recorded during the same period in 1983. Imports grew by 43 per cent.

The stock market, which has been bearish ever since Sir Geoffrey Howe, Britain's Foreign Secretary, came to Hong Kong in April and confirmed the Colony's worst fears that Britain would play no part in the administration of Hong Kong after 1997, has had a particularly bad week.

Talk of Chinese troops being stationed in Hong Kong after 1997 in one of the Colony's Chinese newspapers helped to wipe 50 points from the index.

A mild recovery on Tuesday was promptly reversed on Wednesday when the cartel of leading Hong Kong banks made a long-awaited statement, raising local interest rates by 1 per cent.

Yesterday's trade figures showed strong growth in re-exports, up 59 per cent to HK$17.7bn on the back of a mammoth 163 per cent increase in re-exports to China.

● Sir Edward Youde, Hong Kong's governor, returned last night from the 14th round of Sino-British talks in Peking, which were again described with the now common phrase of "useful and constructive." The next round will start in Peking on May 30, before which Sir Edward plans to take 10 days' leave in the UK.

Former head of Sikhism killed

The former head priest of Sikhism was assassinated in the sacred city of Amritsar yesterday, while two rioting Sikh temple guards were killed by paramilitary police, according to Indian authorities reported by AP. Pratap Singh was shot dead by unidentified Sikh terrorists.

Beirut Cabinet meets

Lebanon's new national-unity Cabinet held its first working session yesterday at President Amin Gemayel's summer palace, AP reports from Beirut. After two hours of talks, the ministers recessed for a luncheon given by the President, who told waiting reporters that "the atmosphere was good."

Nigeria hopes for stabilisation of prices

BY QUENTIN PEEL IN LAGOS

NIGERIA'S compulsory change-over to new banknotes will result in a large reduction in the amount of money in circulation, stabilising prices and eliminating widespread forgeries, according to Alhaji Abdulkadir Ahmed, the governor of the Central Bank.

New notes will only be released gradually through the banking system, he said, although the exercise has already caused severe cash shortages and banks in the major cities are rationing their customers to as little as N100 (£93.60) per person.

Alhaji Abdulkadir said he hoped to keep the issue of new notes to a total of less than N3.5bn, compared with the official estimates of N5.3bn in circulation before the change. Less than N3bn has been issued so far.

"I think it is going to create some sanity," he said. "It will stabilise prices because people had too much money in their hands before. We will be able to be sure how much money we have in circulation and it is bound to affect the exchange rate in the black market."

He also hoped it would encourage people to use the banks more, now they have been brought into contact with them for the first time in order to change their notes.

The deadline for exchanging old banknotes expired last Sunday, but there have been renewed scenes of confusion since the banks reopened on Wednesday, with huge queues building up in the streets. Many workers are still trying to cash their April pay cheques, while employers have been unable to obtain enough cash to pay their staff directly.

Further consternation has been caused by an announcement that anyone who has deposited more than N5,000 in the banks will have to prove that they have paid their taxes in order to receive the same amount in new notes.

Apart from the effect on economic activity in Nigeria, the changeover is likely to have serious consequences for other West African economies, because the naira has circulated widely in the region's currency black market as a means of exchange. Nigeria's land borders have remained closed to all traffic, in order to prevent any return of the old notes before the Central Bank has finished collecting them inside the country.

Alhaji Abdulkadir said the latest Nigerian budget, announced on Monday, was based on a target inflation rate of 25 per cent to be reached by the end of the year, although some unofficial business estimates put it at between 60 and 100 per cent.

The governor would not comment on next week's talks with the International Monetary Fund, at which the questions of a devaluation of the naira, further liberalisation of the country's trade restrictions and petrol subsidies are the major issues in contention. Nigeria is seeking an extended credit of up to $3.2bn (£2.28bn)

Syrian military unrest spreads north

BY RICHARD JOHNS

THE TENSE confrontation between rival military factions in Syria, centred upon the capital Damascus since the beginning of April, has spread to Latakia according to travellers coming from northern Syria.

Approaches to the city are being guarded by tanks manned by troops of the Special Forces and bearing on their gun turrets portraits of President Hafez al Assad.

They are said to have taken up positions there on April 24 to pre-empt moves by the elite Defence Brigades commanded by Vice-President Rifaat al Assad, brother of the president, to control the northern seaboard and in particular Latakia, the main access point to the hinterland of the Awalites, the minority sect dominating Syria.

Units of the Special Forces commanded by Col Ali Haider, who is Col Rifaat al Assad's main military opponent in the power struggle, were flown by helicopters from Tripoli, Lebanon, where they had been stationed, to Latakia. There, they mobilised tanks from depots in the city and barred unimpeded entry into it by the Defence Forces.

Col Rifaat al Assad is said subsequently to have badly bungled an attempt to assert his authority over the most important grouping within the Alawite community, the Mourshedi tribe.

Shortly after the Special Forces had surrounded Latakia, he summoned Mr Nour al Mudi, the spiritual guide and leader of the Mourshedi, and demanded that he offer his allegiance to himself rather than his brother. Mr Mudi refused and was placed under arrest for two days.

As a result, the Mourshedi element in the Defence Brigades—12,000 out of the greatly expanded ranks now believed to total 80,000 (including cadets)—were disarmed and dispatched for duties in the Lebanon. Restraints on Mr Mudi's movements were lifted and he departed for Homs.

The Alawite community, the backbone of both the Defence Brigades and the Special Forces, is confused and divided by the potentially explosive manoeuvres which have taken place in anticipation of the possible resignation, incapacity or death of President Assad, who suffered a heart attack last year

The head of state is thought by many diplomatic observers to favour the succession of his brother

Australian trade surplus hits record A$424m

By Michael Thompson-Noel in Sydney

AUSTRALIA ENJOYED a trade surplus of A$424m (£283m) in April, the largest on record, compared with a trade deficit in March of A$116m.

Unadjusted, exports rose by 2 per cent, but there was a 24 per cent slump in imports, to A$1.6bn, which has emphasised doubts about the strength of the economy's recovery.

Imports of fuel were 60 per cent down, chemicals and textiles were each 20 per cent down and imports of machinery and transport were 10 per cent lower.

Officials cited strikes by dockers, plus a bunching of pertoleum imports earlier this year as a partial explanation of the sharp fall in total imports last month. Seasonally adjusted, the fall was 14 per cent.

However, reduced demand for imports also undoubtedly reflects flat levels of fixed capital spending by mining and industry.

Poor investment spending is the main black spot on the economy and is detracting from more bullish pointers such as renewed growth, strengthening of the external trade account, lower inflation, far fewer strikes, improved company profits and the solidity, to date, of the government's prices and incomes accord with the unions.

The overall balance of payments deficit last month was A$85m, against A$332m in March.

However, seasonally adjusted unemployment in April rose from 9.3 per cent to 9.5 per cent.

The resource sector is depressed by poor metal prices, except for zinc and aluminium, while farmers are facing a continuing costs squeeze.

Although export totals are buoyant, particularly for wheat and coal, they reflect volume gains and not price improvements, which is probably inhibiting investment.

Israeli foreign debt reaches high of $29.3bn

BY DAVID LENNON IN TEL AVIV

ISRAEL's foreign debt continued to grow last year to reach a record gross figure of $29.3bn (£21bn), up $1.2bn on the December 1982 total, according to statistics released here this week.

The debt servicing bill for 1984 has also risen, to $6.4bn. About $3.3bn is short term roll-over loans, but the balance is for servicing long-term loans, $1.6bn in interest and $1.5bn in repayment of the principal.

According to the Bank of Israel, the central bank, the net external debt rose in 1981 by $1.6bn to stand at $22.5bn. This figure is attained after the overseas assets of Israel's commercial banks are deducted from the gross total.

But the Central Bureau of Statistics also subtracts the overseas assets of the Government and the private sector from the gross total so, according to its calculation, Israel's net foreign debt at the end of last year was $17.7bn. This is an increase of $2.2bn over the comparable figure for 1982.

The net external debt would have been even higher but for a $400m increase in the grant portion of U.S. aid last year. Washington has indicated that next year it will provide virtually all of its aid to Israel in grant form.

The total import of goods and services rose only fractionally in 1983, to $15bn, while the export of goods and services dropped fractionally to $9.9bn.

The trade deficit was up from $4.8bn in 1982 to $5bn at the end of 1983. If defence imports are excluded, then the civilian trade deficit was $4bn compared to $3.3bn at the end of the previous year.

Ivory Coast economy wins a breathing space

BY PETER BLACKBURN IN ABIDJAN

AGREEMENTS last week with the IMF and Paris Club of official creditors provide much-needed relief for the depressed Ivorian economy and improve its prospects for a quick rescheduling of commercial debt.

The Ivory Coast, long regarded as one of Africa's brightest economic successes, was obliged last December to seek a rescheduling of medium term external debt.

A combination of drought, deterioration in cocoa and coffee exports and a sharp rise in dollar and interest rates had pushed the debt service ratio to 40 per cent.

The IMF's formal approval of a one year standby credit of 82.75m SDRs, accompanied by new measures to redress the economy, paved the way for rapid agreement with the Paris Club last Friday.

About $275m (£196m) of debt payable this year to official creditors has been rescheduled over nine years with a grace period of four years.

The terms, which included a repayment period one year longer than usual, were considered favourably by officials in Abidjan. However, observers point out that although all principal payments have been rescheduled, only 50 per cent of interest has been included. The rate of interest still has to be fixed.

The Ivorian delegation, led by Mr Maurice Seri Gnoleba, Minister of State, presented proposals for rescheduling an estimated $250m of interest payments due this year to commercial creditors represented by a nine bank steering committee, chaired by Banque Nationale de Paris at a meeting in Paris on Monday.

Negotiations are expected to be more difficult due to problems over payment arrears and the Government's demand for fresh funds.

Although the Government apparently met an IMF demand to reduce arrears by $165m during the first quarter of 1984, arrears are still estimated at over $500m. Delays in payments to suppliers are reported to have slipped to nine months.

The rescheduling is likely to be extended to cover 1985

More Overseas News, Page 15

When it came to taking a new initiative against the rising cost of private medicine, we were in a unique position.

THE HOSPITALS

The past five years have seen a doubling of hospital charges for private patients in Britain.

It's a rate of increase far greater than that of inflation which, had it continued, might soon have placed private medicine out of the reach of ordinary people.

At BUPA we have a constant duty to our members to seek to moderate charges in the private sector. It was acting on this duty that we took up a new initiative with hospitals throughout the UK.

As the majority of all private hospital patients are members of BUPA, we were in a unique position to lead a positive drive against rising costs.

And now we are pleased to announce a major new arrangement which is in the long-term interests of our members and participating hospitals.

Among its many aims is a lower rise in hospital charges for BUPA members. In 1984, for example, this should average below the rate of inflation – at around three to five per cent.

The hospitals have also indicated that they will hold these charges for agreed periods and will give BUPA prior notice of any future increase.

And we have set up a simpler system of direct payment from BUPA to hospitals that reduces administration and makes the claiming procedure easier for our members.

A greater stability of costs will be a truly significant step forward in private medical care and will provide BUPA with an even more solid foundation on which to build for the years to come.

OUR MEMBERS

As a 'non-profit' organisation, BUPA has one concern above all others – namely the interests of its members.

It means ensuring that we are always active in the development of medical facilities, while at the same time doing all we can to see that private medicine stays within our members' reach.

That is why the latest arrangement represents such a major step forward.

First of all, it should result in smaller subscription increases in the future.

BUPA members also have the assurance of knowing that participating hospital charges are fully covered and that any increase during a member's contract year will be automatically absorbed.

Then there is a simplification of our schemes and how to use them.

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BUPA currently pays around £4 million a week in benefits. We cover 30,000 companies including 90 of the top 100 in Britain. And in all we look after 3 million people.

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TECHNOLOGY

DEPARTMENT OF INDUSTRY'S ACTION GROUP STIMULATES INDUSTRY RESPONSE

Government initiatives in UK biotechnology

BY DAVID FISHLOCK, SCIENCE EDITOR

A YEAR ago, the Department of Industry created an action group by recruiting three industrial scientists, seconded by their companies, to monitor what British industry is doing—and failing to do—in biotechnology. (See "*Powerhouse for British genes," Technology Page, April 26, 1983.)*

It was the brainwave of Dr Ron Coleman, Government Chemist, and the government's chief biotechnologist. He persuaded the mandarins to recruit industrial scientists instead of using civil servants to seek new initiatives the government might take in supporting British biotechnology.

A year on, Dr Coleman can say: "We're getting a good response from companies." Some have even complained that the questions his action group have been asking about markets are "too pertinent."

The group has identified four priority areas where it believes Britain can and should be strong. They are bio-catalysis (enzymes), diagnostics, agricultural uses of genetic engineering, and process plant and instrumentation for biotechnology.

Bio-catalysis: "This is an area where you could call us weak," says Dr Alan Coleman, seconded from ICI. The group deliberately adopted the term biocatalysis, embracing enzymes as "living catalysts," to broaden everyone's thinking. Britain has only 1-2 per cent of a world market for enzymes dominated by Novo (Denmark) and Gist Brocades (The Netherlands).

But the two big users — the detergents industry (for which enzymes nowadays are virtually the only opportunity for product innovation) and the food processing industry — are crying out for innovative enzymes, the action group found. Moreover, the big users want enzymes tailored exclusively for their products, something that the big suppliers are not doing today.

Genetic engineering promises to provide the route to exclusivity, by manipulating the natural organisms to introduce (or remove) specific characteristics. It affords Britain the opportunity to become a major force in enzymes. "Novo itself is equelly vulnerable to the new technology." But the action group learned that would-be suppliers have got to be prepared to make e concerted commitment, and to back it with a lot of scientific servicing of its customers, as well as plenty of R and D.

"Very revealing" is how Dr Peter Muggleton, previously with Glaxo, sees the group's investigation of enzymes. British companies proved very ready to talk — "a pleasant surprise," be says. The conclusion is that, if Britain is seriously to challenge foreign domination of the £250m market for enzymes, e single company must pull together and reinforce the present fragmeoted effort, and do so now "before the market explodes under it."

The group has made it known that the government will help fund the cost — up to one-third — of selected R and D projects in biocatalysis.

Diagnostics: The action group sees e large and expanding market in diagnostics, says Mr Roy Dietz, from the permanent staff of the Laboratory of the Government Chemist. As he defines it, the area includes monoclonal antibodies and bio-sensors. At first sight it is an easy option for the small biotechnology firm.

In fact, it is much more difficult than it seems for, as Dietz puts it, "the UK is a fairly small market made barder by the fact firms must sell into hospital labs which have their own ways of producing." The group concludes that success in diagnostics must lie in sales to the U.S. "for at least half of the market."

It forecasts disaster for companies which set out to sell e single product, because of the bighly fragmented UK market; and for anyone "wbo naively believes he can operate a mail-order business." It reckons the British diagnostics market is already over-subscribed, with about five UK "majors," 10 "minors," and similar numbers of U.S. subsidiaries.

As for bio-sensors, the technical challenge can be formidable wben products bring together such advanced technologies as menoclonal antibodies, semiconductor "chips" and instrument engineering.

Agriculture: The action group divides this area into animal busbandry and plant breeding.

For animal husbandry it foresees possibilities for considerably reducing the cost of meat production but reckons they need another 5-10 years of R and D. They include ways of improving the product, more closely tailoring the product to the "fads" of a particular market, and curbing disease such as parasitic infestations with vaccines. It also foresees pets as a good market for genetically engineered vaccines.

For plants, Dr Coleman sees genetic engineering as the way to cut a year or two from a plant breeding programme of up to 10 years. The technique could transfer a particular trait to a best-yield crop to improve a feature of apecial advantage to the food processor, such as high gluten in wheat.

At present, the basic understanding of the plant science to do this is missing. Bnt British nniversities, the institutes of the Agricultural and Food Research Council, and some UK companies are among the world leaders, the action group found.

The group is organising a way of co-ordinating the British plant science research effort. It is also keeping a wary eye on the *new* government-backed Agricultural Genetics Company, of Cambridge, with its inside track to AFRC genetic engineering in plants, to see that it remains "an opportunity not an obstacle" for UK industry, as Dr Coleman puts it.

Process plant; The action group is about to launch a series of 32 Which?-style reports of categories of equipment for specific facets of biotechnology, from fermenters to foam detectors.

Matthew Hall Norcain Engineering has written these reports, which the Biotechnology Unit of the Department of Industry will make available to selected British companies on what Dr Pet Gould, seconded from BP, calla a "need to have" basis. "They are expensive and we want to make sure they ere used well." Dr Gould says the reports revealed no significant boles in the British process plant industry.

Dr Ronald Coleman, Government chemist.

Lnbricating Biotechnology: a directory of British biotechnology — "to improve links with acadcme"—has been compiled by the Government Chemist's action group. "It's a lubricant—it hclps people to meet and tells big firms what's happening in small firms," one member says.

The action group found that once it got away from the large biotechnology companies such as ICI, Wellcoma and Unilever, company researchers were "rather unsure" who to approach in universities, research institutes, etc. The directory has details of 350 British biotechnology companies, 40 venture capital companies interested in biotechnology, and the spectrum of academic research in Britain.

The 1984 Directory of British Biotechnology, Cartermill Publishing Ltd., PO Box 33, St. Andrews, Fife, KY16 9EA. £48.50. (free to universities, from the Biotechnology Unit, DTI)

DIVERSIFICATION

Envelope maker to sell its machines

A TRADITIONAL envelope making company has decided to sell its in-bouse designed manufacturing equipment to diversify. Chapman Industries has signed up a marketing agreement with one of its largest European rivals, Winkler and Dunnebler.

Chapman is the fourth largest envelope maker in the UK competing in a £120m-a-year industry. The total group turnover is £16m with 750 employees. Last July, Chapman Industries acquired West Midlands Envelopes which produces commercial products. This brought the company's envelope factories to four, of whicb two are based in London.

Wiggins Teape, Spicers and the DRG group all rank above Chapman Industries. The four organisations account for more than 75 per cent of total sales though there are about 26 envelope suppliers to the UK market.

Some £50m of this market is for "specials" such as credit card company envelopes, tax form and government envelopes. Orders for this normally range from 750,000 units to 3m but the largest UK order is placed by British Telecom for its "Busby" telephone bill envelopes which is for 135m annually.

Competition has increased in the envelope market and Chapman decided that its knowhow could provide extra revenue. As it did not have marketing skills itself it decided to link up with Winkler and Dunnebier of West Germany which sells equipment throughout Europe.

Until recently Chapman had kept its engineering expertise solely for internal consumption. Of its 31 envelope making machines about 28 were manufactured by Chapman itself. Such machines can cost £250,000 each. A single envelope maker takes paper from a reel, cuts out the shape, prints patterns or company names, folds and gums the envelope then dries the gum.

Chapman bas developed a fast drying technique based on radio frequency heating which reduces the drying time from eight seconds to one quarter of a second.

The fastest envelope machines can produce 1,000 per minute though the average is 600 to 800 a minute. Even at these speeds, such equipment relies on electro-mechanical rather than electronic control technology. Chapman commented that the company had obtained a Department of Trade and Industry feasibility grant for microprocessors but found that electronics would make only a marginal improvement to envelope machinery.

ELAINE WILLIAMS

Energy

Rechargeable torch

A RECHARGEABLE torch which gives three hours light per charge and can be recharged 3,000 times at low cost is the brainchild of Peter Barker, managing director of Nitech.

The company says that its X-cell torch and power pack at a cost of between £27 and £42 depending on the model has applications in home and industry. Nitech is also working on a power pack which can operate eight hours between recharge.

It is a nickel cadium battery which Nitech says cannot be overcharged and can be left in a fully discharged state indefinitely. The casing of the torch is made in the U.S. as the company could not find a cheaper one in the U.K. More details from the company which is based in St Leonards-on-Sea on 0424 433116.

CHOOSING FASHION SHADES

How to keep colour constant

COLOUR decision-making is, traditionally, a high-risk area for textile and fashion producers.

From the time when a yarn or fabric is dyed to the point wben a finished garment reaches retail outlets, np to 18 months can elapse, a period which covers several fashion "seasons" during which trade, and consumer preferences, can evolve in unexpected directions.

Errors of judgment can cause heavy losses—massive markdowns on clothes in the "wrong" colour; unsold stocks.

These risks can be managed more efficiently, it is claimed, by the use of a service started to process fashion colour input from all over the world to provide constantly updated information on trends and preferences up to 21 months ahead of the retail season.

The service, called ICA Data, operated by International Colour Authority, allows subscribers to request updated information as often as needed by first providing details of the most-sought-after colours in their own ranges. Their input is then integrated and processed with comparable deta supplied by other subscribers. The resulting updated analysis of colour trends is compiled and made available each month. Information is exchanged by telex or telephone.

Because the programme is designed to take into account different lead times as well as colour trends for various sectors of the industry forecasts coincide with the production and purchasing needs of each type of user, from spinners to retailars. They also differentiate between colour needs for different end users, such as menswear, women's wear, sports and leisurewear.

Further information from John Vasey, International Colour Agency, 33 Bedford Place, London WC1 5JX.

ANTHONY MORETON

SWEDISH COMPANY WANTS TO SELL COMPUTER SKILLS

From underwear to software

Göran Horwitz's company, Gustaf Horwitz, makes and sells underwear. But he bopes that the expertise his company has built up in adopting computers to run his organisation can be sold to other companies.

Horwitz's own problems in using compnters is highlighted by the fact that even a simple product such as men's underpants comes in 2,000 different types. Though there are only 12 basic styles, they come in eight sizes, eight colours and several qualities and materials. Horwitz sells under the Jockey brand name through an agreement with the U.S. maker.

Manufecture has to be committed some 18 months ahead in this fashion-conscious business. Horwitz makes 200,000 dozen units of male underwear. Recently the company moved into the casual clothes market which is even more subject to the vagaries of fashion.

As the company sells internationally, it also had to deal in many currencies which must be consolideted into one—the Swedish krona.

It took some time for Mr Horwitz to find the right computer system and software especially as the company is of small size employing about 70 people and a turnover of some £10m.

In the end the company settled for IBM personal computers and the popular financial spreadsheet software called Lotus 1-2-3 of which several are now in operation. He has brought small groups of his Stockholm staff to Horwitz's London office for training. It was through this experience that Mr Horwitz decided that sufficient knowledge was built up to offar training to other companies. Initially be will concentrate on top management having several contracts at this level through his existing business.

ELAINE WILLIAMS

هكذا من الأصل

U.S. likely to curb extraterritorial use of its commercial law

BY CHRISTIAN TYLER, TRADE EDITOR

THE U.S. appears to have agreed to restrict the extraterritorial use of its commercial laws, a persistent cause of conflict with its trading partners.

A system of notification and consultation between member nations of the Organisation for Economic Co-operation and Development, proposed by an OECD committee, is likely to be endorsed at next week's Ministerial meeting in Paris.

The U.S. concession follows strong lobbying by the British and Canadian Governments. Although the U.S. will not abandon what it sees as its right of jurisdiction over U.S. subsidiary companies abroad and over foreign users of U.S. technology, it will be doubly careful about exercising that right.

Mr Paul Channon, the UK Trade Minister, said yesterday: "We still have a difference of principle between us, and that issue we will go on fighting as hard as we can." But he said the U.S. had recognised the importance of reducing trade friction. "This is a useful, small step forward."

The U.S. move was recently foreshadowed by Mr George Shultz, the Secretary of State, who said jurisdictional disputes had proved very damaging. The U.S. would continue to preserve its authority to intervene. "But we will exercise the authority with discretion and restraint, balancing all the important interests involved."

In the wider trade arena, next week's OECD Ministerial will try to reach agreement on accelerating the remaining tariff reductions under the Tokyo Round, and will consider what form the next stage of "roll-back" should take.

There will also be another effort to curb the use of mixed credit, pioneered by the French, for securing scarce project work in the Third World.

With a limited budget for mixing aid with commercial credits, British Ministers are expected to back the U.S., which has led the campaign to stop this new form of subsidy competition.

Mr Channon said yesterday: "One thing we are not prepared to do is unilaterally disarm. Multilateral disarmament is what we are working towards." But he added that he was not optimistic about the chances of early OECD agreement.

OECD Ministers will also review progress on identifying the scope for liberalising trade in services, a subject being studied by the General Agreement on Tariffs and Trade and one which the U.S. is keen to see on the agenda of a putative fresh round of Gatt negotiations.

Thorn cautious over call for trade talks

BY ROBERT COTTRELL IN TOKYO

MR GASTON THORN, president of the European Commission, responded cautiously yesterday to proposals from Mr Yasuhiro Nakasone, the Japanese Prime Minister, for a new round of international talks aimed at liberalising world trade.

If the talks, under the auspices of the General Agreement on Tariffs and Trade (Gatt), were to go ahead, they would follow the Kennedy round of the 1960s, and the Tokyo round of the 1970s.

According to a spokesman, Mr Thorn told Mr Nakasone that it would be premature to move towards a new round of world trade talks without first ensuring that the idea commanded widespread support in other countries, particularly those of the developing world.

Mr Thorn suggested that the EEC and Japan should have "informal contacts with developing countries to ascertain their points of view and to ensure that if a new round is launched, it will be a success because a prior consensus exists in favour of such a round," the spokesman said.

Community diplomats in Tokyo say that the EEC and Japan recognise a common interest in stable, liberal world trade, but are looking for agreement on how best to ensure it.

"How exactly would the new round be organised?" said one diplomat yesterday. "Can enough agreement be found? We cannot risk a failure; it must be a success."

Some countries, particularly Australia, would be likely to want agricultural issues on the agenda of any new round of talks—a sensitive area for Europe and Japan, with their varying degrees of agricultural protectionism. The EEC and the U.S. are also currently urging Japan to liberalise its financial and monetary system—a topic discussed by Mr Thorn and Mr Nakasone yesterday.

Mr Thorn was keen to emphasise to Mr Nakasone the impact of monetary factors, such as interest and exchange rates, on world trade patterns, and on North-South relations. This connection is also expected to be a theme of the western economic summit scheduled for next month in London.

Mr Nakasone told Mr Thorn yesterday that Japan may cut tariffs on imported wine, a long-standing bone of contention.

● Economic ministers of the Association of Southeast Asian Nations (Asean) called for international trade liberalisation amid what they see as growing signs of international economic recovery, Reuter reports from Jakarta.

In a joint statement issued after a three-day meeting, ministers from Thailand, Malaysia, Singapore, Indonesia, the Philippines and Brunei said liberalisation was essential for the world economy and to the continued dynamism of Asean.

The ministers said a new round of trade negotiations should improve access to the markets of developed countries.

They said for a new round to gain wide suport, commitments that bad been undertaken in the Tokyo Round should be implemented,

Lagos gives sole credit mandate to London bank

By Andrew Gowers

SAMUEL MONTAGU, the London merchant bank, has been given the full mandate for a £300m line of credit to finance British contractors working on Nigeria's new federal capital at Abuja.

This follows the cancellation by Nigeria of a half share in the mandate originally held by Morgan Grenfell, another UK merchant bank which was recently in dispute with Lagos over the refinancing of Nigeria's unsecured trade arrears.

The line of credit, which is expected to be signed next month, will be backed by Britain's Export Credits Guarantee Departmcot.

No specific contracts have yet bene awarded to qualify for finance under the line of credit. But a number of leading UK companies have expressed interest in Abuja projects

Morgan Grenfell declined to coment yesterday on its loss of the joint mandate. But Nigeria's decision to exclude it was clearly linked with the Government's anger at the bank's role in the recent refinancing negotiations, in which it acted as the spokesman for a group of creditors seeking better terms.

A team from Moran Grenfett is due in Laos later this month and witl try to patch up relations with the military rcime.

Guinea seeks aid for delayed power project

BY PETER BLACKBURN, RECENTLY IN CONAKRY

GUINEA'S new military government plans to organise an aid donors meeting later this year to revive interest in the long delayed Konkoure hydroelectric power scheme and related Aye Koye aluminium smelter, according to energy officials in Conakry.

The $2.2bn (£1.58m) project, dating back to pre-independence days, has been scaled down following fresh studies by Sir Alexander Gibb and Partners of the UK and Bechtel of the U.S. Capacity of the power station has been halved to 375Mw and the aluminium smelter to 100,000 tonnes from 150,000 tonnes.

Konkoure is the main potential power source for economic development, said Mr Joseph Gbago Zoumanigui, the secretary of state for energy.

"With the change of government (following the recent death of President Sekou Toure) and introduction of a liberal economic system we hope western donors will now provide the necessary financial support," he added.

The French described Guinea as the fountain of West Africa. The region's main rivers—Niger, Senegal and Gambia—spring from the Fouta Djallon mountains.

However, only 63 MW, a fraction of the country's hydroelectric potential, has been harnessed. During the past four years the World Bank, France and West Germany bave financed a $70m programme to renovate the country's dilapidated power stations. Electricite de France began a feasibility study in 1978.

However, the project's immense cost combined with uncertainty about the world aluminium market and Guinea's already almost total dependence on bauxite as a foreign exchange earner bave continued to deter the World Bank and other possible donors.

The dam would be located at Souapiti, 45 km east of Fria on the Konkoure River. The Aye Koye bauxite mine would be developed near the Compagnie de Bauxite de Guinee's Sangaredi mines.

France's Pechiney Aluminium is due to finish updating feasibility studies by the end of 1984, mining officials said. If positive, production could start at the end of the 1980s.

Apple bites into the French school computer market

BY DAVID MARSH IN PARIS

APPLE, the California-based micro-computer company is taking a discreet bite out of the French market for computers in schools and universities—even though it is not on the Paris Government's list of approved domestic suppliers.

Executives at Apple-France, which has had great success in recent years in penetrating the fast-growing French market for small professional computers, say the company has sold around 10,000 Apple II computers to the education sector over the last six months or so. About 60 per cent of this represents purchases by public sector establishments.

By offering steep discounts on list prices, Apple has sold directly to schools and colleges through its dealer network, in spite of official Government policy which favours domestically-produced computers in the educational field.

Apple does not produce computers in France, although it has strong links with software companies and a large French-based dealer network. As part of gradual plans to step up further its presence on the French market, Apple has just announced the setting up of a software production company at Metz in the stricken steel region of Lorraine in eastern France.

The company, which will employ about 20, will develop programs for Apple's new Macintosh computer. Pointing to the importance of the French software element in the company's models, M Jean-Louis Gassee, the chairman of Apple-France, said yesterday the company "does everything except produce computers in France."

He was speaking at a presentation of Apple's newly-launched users' club for French Apple enthusiasts—the company's first users' association in Europe.

Apple aims to sell at least 50,000 to 60,000 computers in France this year after 30,000 last year. Turnover is expected to rise to between FFr 700m and FFr 800m (£60m-£69m) compared with FFr 375m in 1983 and FFr 160m in 1982.

The French Government last autumn launched an ambitious programme to boost use of computers in schools and universities, aiming to introduce 100,000 machines by 1988. The Education Ministry promised that foreign computer companies would be given a chance to compete with domestic producers such as Thomson, Bull, Locabax and Leanord in the schools field. But no final decision has yet been made on formally opening up the educational sector to non-French concerns.

Gas turbine makers face slide in prices

BY IAN RODGER

DOWNWARD PRESSURE on industrial gas turbine prices is likely to continue in the next few years because of soft market conditions worldwide.

Actual selling prices have fallen 15 to 20 per cent since 1981, according to a new study* by Planning Research and Systems of London and the U.S. journal, Gas Turbine World. The flow of new models has also slowed because of the slump in sales.

The total power of world shipments of industrial gas turbines tumbled from 17.5 gigawatts in in 1979 to 12 GW in 1982. It recovered to 13.5 GW last year and the PRS-GTW study forecasts it will remain at roughly this level through 1988.

Industrial gas turbines are used meinly for alectric power generation and for driving pumps and compressors, notably on oil and gas pipelines and offshore production platforms.

The only countries where sales of turbines are likely to grow rapidly in the next few years are Iran and Iraq, provided hostilities end. The current surge of activity in the U.S. market, stimulated by incentives for manufacturers to generate their own steam and power, is likely to be shortlived.

"It is expected that price levels in the next few years will just about keep pace with inflation and will be cut substantially in some competitive situations," the study says. "Depending on circumstances, manufacturers will bid 20 per cent to 30 per cent off normal selling price to win a job or move inventory."

Partly because of the squeeze on prices, the industry will continue to concentrate on improving the efficiency of existing models rather than introducing new ones. Only two totally new engines have been introduced since 1981, by Ruston Gas Turbines of Britain and Sulzer of Switzerland.

The study forecasts that most new engines of 50,000 horse power nr less are likely to be derivatives of aero engines while existing designs of large engines will be uprated. However, in the late 1980s a new generation of large units of around 200 Mw might appear.

Sales of gas turbinea for the combined heat and power (CHP) market amounted to 400 Mw in 1982, 1,500 Mw last year and at least 420 Mw in the first two months of 1984. In the U.S., this market has been encouraged by legislation requiring electric power utilities to buy any surplus electricity generated by CHP installations provided it is needed and is supplied at a reasonable cost.

The study foresees a rush of installations as industrial plant operators take advantage of this situation, but this will fade next year as utilities' supplementary power needs are satisfied.

** *The World Market for Industrial Gas Turbines 1979-88, Planning Research & Systems Ltd., 24 Old Bond Street, London, W1X 3DA. £1,250.*

Bovis to build Congo road

A £40m management contract for a road building project in the Congo has been secured by Bovis International of the UK, Our Trade Staff writes.

The 140-km road from Brazzaville to Kindamba is expected to take three years to complete and will open up an area in the Congo at present served by a simple track. The single-carriage road, which is currently being surveyed, will include a number of structural steel and reinforced concrete bridges across major rivers, notably a 115-yard-long bridge across the Djoué River.

AMERICAN NEWS

William Hall explains the significance of the New York debt talks

Bankers spot smoke, suspect fire

CENTRAL BANK officials are a secretive bunch at the best of times, but the bland statement issued at the end of this week's three-day conference on international debt at the New York Federal Reserve Bank, seriously underplays the significance of the event.

"The purpose of the meeting was not to reach decisions on these matters. Rather it was a general informal review of lessons to be learned from the experience of the past two years in dealing with international debt problems," the statement read.

Mr Anthony Solomon, President of the New York Fed, which hosted the meeting, concluded that "our goal was to stimulate thought and discussion and I feel we fully satisfied the aims we set out to achieve when we organised this meeting last December."

Aside from that the participants, are saying little. "The statement is what we are going to hide behind," said one senior official of the New York Fed.

International bankers, who with the exception of Mr Bill Rhodes of Citibank and Mr Lewis Preston of Morgan Guaranty, were barred from the meeting, are divided about its importance and have been working the telephone lines hard to find out what, if anything, happened.

One senior banker, who was was very encouraged by the New York Fed's initiative, said: "The first way of resolving the international debt crisis is to get all those who have influence and authority to sit down and talk about it among themselves. If anybody had expected a solution to come out of this meeting, they would have been extremely naive. The problem is so difficult."

Other bankers who have talked to some of the participants at the conference are less enthusiastic about the progress made at the meeting and play down reports that any major initiatives were watched behind closed doors.

However, on the basis of the meeting's agenda and the calibre of the personnel who attended it is clear that if any longer term initiatives to solve the international debt crisis are being planned, they were certainly aired at the meeting.

Most of the key officials involved in the two-year-old international debt crisis attended. Mr Paul Volcker, chairman of the Federal Reserve Board, Mr Jacques de Larosiere, managing director of the International Monetary Fund, Mr C. W. "Kit" McMahon, deputy governor of the Bank of England, were just a few of the top officials addressing the meeting.

The aim was "to explore concrete and practical steps that might be taken by lenders, borrowing countries and official institutions to help re-establish less Developed Country finances on a sustainable basis." The officials discussed specific changes in institutional arrangements, financing techniques and regulatory and accounting policies that would facilitate loger-term adjustment and debt refinancing and a restoration of voluntary lending.

The first day was given over to discussion of the type of policy, institutional and financial changes that may be needed to assure adequate financing. On the second day, the participants talked about policy initiatives that could be taken to improve the regulatory and accounting framework for adequate LDC financing.

The final morning session, led by "Kit" McMahon, was closed to everyone except the central bankers and this was the session which discussed the sorts of initiatives which might be taken to alleviate the debt crisis. No major consensus was reported to have emerged on specific measures.

There is growing evidence, however, that moves are afoot behind the scenes. While some major banks, like Citibank, continue to argue that the combination of world economic recovery and sound adjustment policies by the LDCs is sufficient to solve the problem, many of the central bankers attending this week's meeting disagree.

Mr Solomon warned a Congressional committee last week that while economic growth of 3½ per cent per annum in 1984-85 in the industrialised countries would "certainly help debtors," it was not enough to resolve their problems, and Mr Martin Feldstein, retiring chairman of the Council of Economic Advisers, added his weight to the growing official concern in a speech to the Council of the Americas on Tuesday.

"While a further rise of one percentage point in the prime rate might be absorbed by the key debtor nations with some difficulty and extra hardship, a rise of two percentage points or more might make current financial arrangements unsustainable," he warned.

Both Mr Solomon and Mr Feldstein have proposed some form of "cap" on the interest rates paid by heavily indebted countries, so that they are not thrown off course by a sharp rise in U.S. interest rates, and these sorts of techniques were discussed

One non-central banker who attended the meeting said that the capitalisation of interest, where banks allow borrowers to roll up their interest, was discussed at the meeting but he at least did not think much of the idea.

Allowing debtors to capitalise their interest payments was a "formal acknowledgement" by both the banks and the borrowers that they could not pay, he said.

Mr Anthony Solomon . . . goals satisfied

Mr Rhodes, the Citibank senior vice-president who has been one of the leading commercial bankers masterminding the debt rescheduling, also has serious reservations about capitalising interest. He is understood to have cited the case of Nicaragua which was allowed to capitalise interest. Nicaragua did not adjust its economic policies because it had no incentive to do so, Mr Rhodes warned.

Despite the banks' reservations, this week's meeting did discuss how the interest rate problem could be alleviated. It appears that the officials were more attracted to the idea of putting a "cap" on interest rates than to the European proposal for capitalising interest.

IMF set to approve Chile loan

By Peter Montagnon, Euromarkets Correspondent

THE EXECUTIVE Board of the International Monetary Fund is now set to approve an SDR 216m (£162m) loan to Chile at its meeting next Monday.

The approval had been delayed because the IMF was waiting for "a critical mass" of subscriptions to be received for the $780m loan that Chile is also seeking from commercial bank creditors to cover its balance of payments needs this year.

In a statement from Santiago yesterday, Chile's Central Bank said, however, that this loan was now 95 per cent covered by subscriptions received. This means that the "critical mass" sought by the IMF has now been reached.

Approval of Chile's IMF loan will also mark an end to a period of uncertainty that followed the resignation of Sr Carlos Caceres as Finance Minister six weeks ago.

Mr Jacques de Larosiere, managing director of the IMF, has sought assurances from his successor, Sr Luis Escobar, that the basic economic programme agreed with Chile would still be adhered to.

Commercial banks have still to set a date for signing their credit to Chile. Completion of the syndication process still has to be followed by a considerable amount of administrative work.

Alfonsin warns of U.S. interest rate threat to stability

BY JIMMY BURNS IN BUENOS AIRES

PRESIDENT Raul Alfonsin of Argentina yesterday warned that the latest increase in U.S. interest rates was threatening the country's economic and social stability and its capacity to settle its $43.6bn (£31bn) debt.

The statement was the firmest public indication to date that the Argentine Government and its creditors could be heading for another period of tense brinkmanship in the next U.S. bank quarterly deadline on June 30.

Uncertainty continues to surround Argentina's relations with the IMF, which has had a mission in Buenos Aires this week. Economy Ministry officials said yesterday that an agreement was being held up because in their view the Fund had not so far shown sufficient flexibility in response to Sr Alfonsin's publicly proclaimed refusal to accept a fierce programme of retrenchment as a precondition for fresh funds.

Although the Argentine Government last week began for the first time to curb wages and subsidies to the state sector, some officials insist that they do not now have sufficient political space or will to apply a fully-fledged programme of austerity.

Negotiations between Sr Alfonsin and the opposition Peronist Party aimed at reaching a national consensus on economic policy have been delayed yet again because of the continuing absence of Sra Isabelita Peron, former President, and titular head of the Peronists, who remains in Madrid.

In a statement read by the presidential spokesman, Sr Alfonsin reiterated that Argentina would meet debt obligations but only "in an ethical and equitable context," which takes into account "our own need for peace, democracy and development." He mentioned the recent outbreak of violence in the Dominican Republic as an example of the social and political consequences of financial orthodoxy imposed by the industrialised world.

It is understood that Sr Alfonsin issued his statement after secret high-level consultations with the governments of Mexico, Venezuela, Brazil and Colombia, the part-signatories of a recent $500m rescue package for Argentina. The countries recently agreed to extend a provisional deadline for the repayment of their $300m loan, which had previously been linked by the U.S. Treasury to an agreement with the IMF.

In London, Mr Nigel Lawson, Britain's Chancellor of the Exchequer, said he saw no sign of an IMF agreement with Argentina at the present time, Reuter writes.

He told Parliament it was quite clear that Argentina would have to abide by rules followed by other debtor countries if it wished to receive financial assistance.

Democrats criticise call on Central America

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

DEMOCRATIC leaders yesterday criticised the militaristic tone of President Reagan's Wednesday night appeal to Americans to resist the tide of communism in Central America. But many Democrats conceded that it had further enhanced the prospects of Congress approving new economic and military aid for the region.

The House of Representatives was due to start voting later yesterday on Mr Reagan's request for $129.4m in additional military aid for Central America this year, most of it for El Salvador, and $132.5m for fiscal year 1985, which begins on October 1.

The Senate has already approved an initial urgent payment of $62m to El Salvador and $21m for the right-wing "Contra" guerrillas fighting the left-wing Sandinista government of Nicaragua, but the House has so far stalled on the requests.

Mr Tip O'Neill, the Democratic House Speaker, now concedes that a military aid package for El Salvador is more likely—particularly following the apparent victory of Christian Democrat Mr Jose Napoleon Duarte in last Sunday's elections—although he continues to oppose it.

Mr O'Neill said yesterday that the ingredients of Mr Reagan's Wednesday night appeal could be summed up as "more ammunition, more U.S. involvement, more force, more death." While the Democrats had wanted a call for peace, Mr Reagan had given "a car for arms," he said.

Many Democrats yesterday repeated their past criticism of Mr Reagan's policies as focussing on military solutions. The U.S. should try diplomacy and negotiation first and only resort to force if all else failed and it was really necessary to protect U.S. vital interests, they said.

Mr Michoel Barnes, a Maryland Democrat, who gave the official Democratic response to Mr Reagan's speech, said that history had shown that the Democrats would "support the use of force when necessary to protect our nation." But the Democrats would only support the President "when his policies make sense and advance the interests of the U.S."

Meanwhile, the Washington Post reported that Costa Rica had secretly asked the U.S. for $7.6m in increased military aid, three times the amount previously reported, according to a confidential State Department report. Costa Rica has officially denied requesting any increased aid.

The State Department report said that the request was for small arms, ammunition and spare parts and recommended quick approval as a way to wean Costa Rica away from its "neutralist tightrope act" and into the "anti-Sandinista camp." A senior administration official, however, said that the language in the original report by junior officials had now been superseded by "ome balanced and relaxed thinking."

Editorial comment, Page 16

Canada to relax controls on domestic airlines

BY BERNARD SIMON IN TORONTO

CANADA is to relax official controls on domestic airlines to allow greater competition, lower air fares and easier access for new carriers to the market.

Announcing the first phase of a comprehensive but "carefully staged" process of deregulation, Mr Lloyd Axworth, Transport Minister, said that price controls on domestic air fares would be dismantled within the next two years.

Restrictions on the operations of regional and local airlines are to be abolished immediately, and the Canadian Transport Commission (CTC), the body which oversees the airline industry, will be instructed to give greater weight in route applications to "the benefits of increased competition."

Mr Axworthy added that a parliamentary committee will be asked to examine whether the state-owned airline Air Canada should be privatised or broken up to allow smaller, private airlines greater opportunity to compete. Air Canada currently accounts for about 64 per cent of the country's air traffic.

The new policy does not have any immediate impact on air services beyond Canada's borders, but discussions are taking place with the U.S. to give commuter airlines of both countries automatic approval for local and regional services across the border.

According to Mr Axworthy: "The regulated system we set up five decades ago to protect a fledgling industry is now clearly hindering progress."

Panama poll confusion

BY DAVID GARDNER IN PANAMA CITY

THE Government - appointed board presiding over the scrutineers collating the votes from Sunday's general election in Panama yesterday declared itself unable to come up with a result. The likelihood now is that the process will move to the electoral tribunal.

Barely a quarter of the votes have gone through the all party official scrutiny mechanism, and half of these have been challenged.

Aides of Sr Nicholas Ardito Barletta, the candidate the military-backed regime is supporting for the presidency, now believe he will win by a margin of around 3,000 votes. Supporters of Dr Arnulfo Arias, the 83-year-old Right-wing populist three times ousted by the military, claim they are leading by some 18,000 votes.

While the two sides have been attempting to keep their supporters apart in the wake of Monday night's violence outside the national legislature where the vote is being counted, militants from both factions said they have instructions to take to the streets once the result is announced.

Meanwhile, tension is being raised by a steady flow of competing rumours about unrest in the 14,000 strong Defence Forces.

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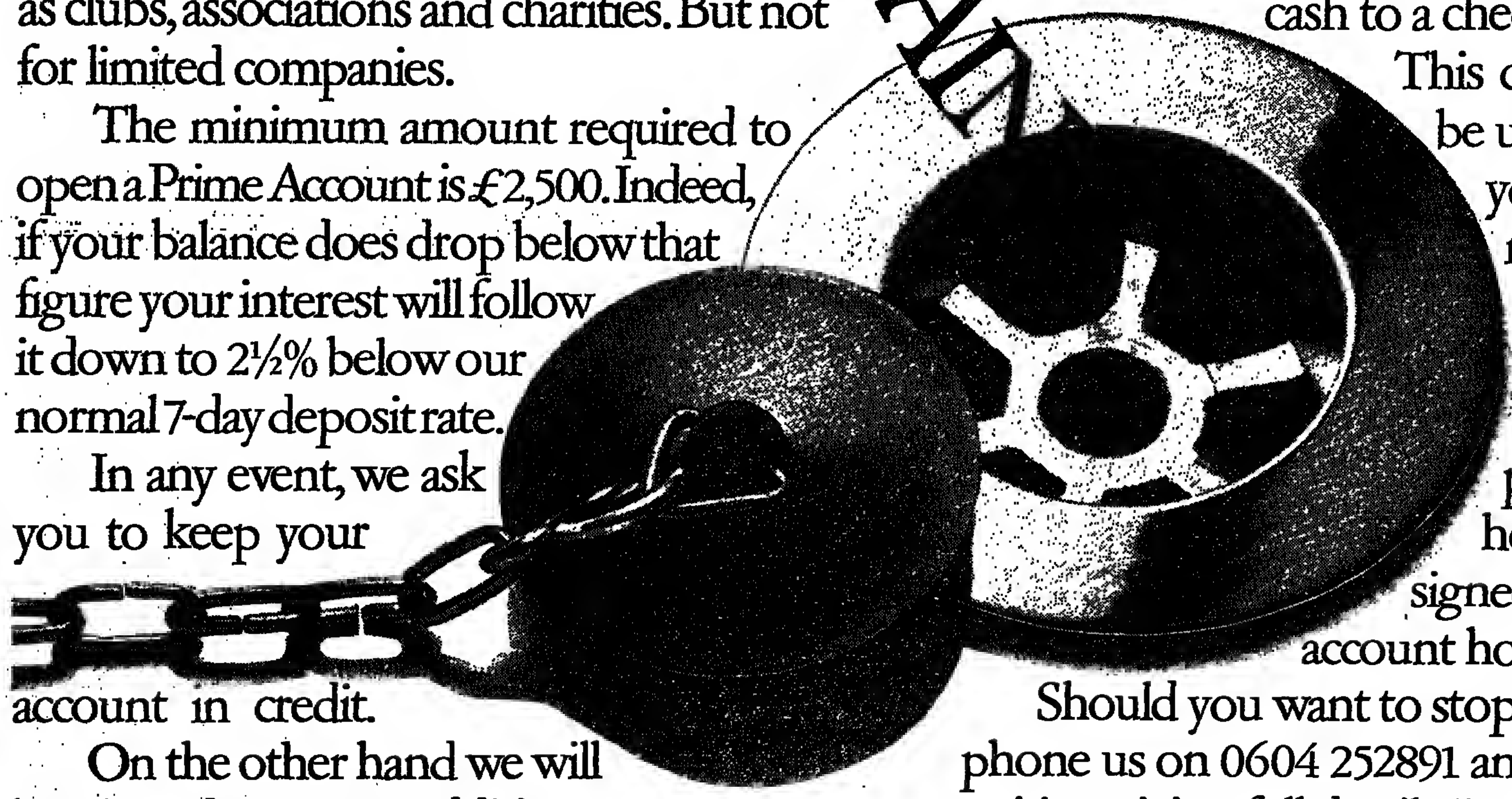

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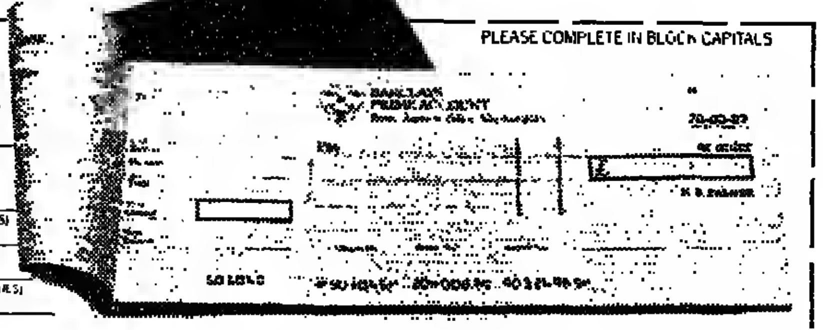

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UK NEWS

Machine tool manufacturers in Japan licensing deal

BY IAN RODGER

THIS WEEK, two of Britain's leading machine tool manufacturers have joined the trend to manufacture Japanese machining centres under licence, bringing to five the number of deals of this kind done in the past year.

Yesterday, Kearney & Trecker Marwin (KTM), the Vickers subsidiary, said it would begin manufacturing Mitsubishi machining centres in Brighton. The day before, TI Matrix & Herbert-Churchill announced it would manufacture Takisawa machining centres in Coventry.

These deals have all been made because the British companies recognised the growing popularity of small machining centres in the market.

These machines have enjoyed rapid acceptance for two reasons. First, they offer manufacturers a significant improvement in productivity over conventional milling, drilling and boring machines. Second, they are cost effective enough to appeal to small engineering subcontractors.

The subcontracting sector has been buoyant in the last year or so as large manufacturers have attempted to economise by buying in rather than making components. Mr Les Pratt, marketing director of TI Matrix, estimates it is growing at 15 per cent a year.

British machine tool builders, Wadkin and Beaver, recognised the potential for small machining centres early, and have prospered on it in the past year or so. Others wanted to get in, but realised it would take them up to two years to develop their own models.

That left them with three unpleasant options:

● Develop their own products and risk arriving too lete on the market.

● Pass up the market opportunity, knowing that it was one of the few growth areas in the depressed machine tool industry.

● Manufacture a foreign machine under license, knowing that it might become the Trojan horse for the foreign manufacturer in the British market.

The Japanese have recently agreed to restrain their direct sales in the UK market so a licensing agreement is one way for them of holding oo to market share.

The initial venture of this kind, between Bridgeport Textron and Yasuda of Japan, provides some grounds for optimism about these deals.

Bridgeport, known throughout the world for its small precision milling machines, realised that an important part of its traditional market was moving quickly to machining centres, a product it had never manufactured. It agreed last April to manufacture under licence a Yasuda horizontal machining centre.

Initially, Bridgeport only assembled kits but it also invested £2m in plant so that it could do most of the manufacturing at its Leicester plant. Today, it manufactures everything but the electronic control for the Japanese-designed machining centre.

More important, it has used the time gained by the agreement with Yasuda to develop its own machining centres, the first of which will be shown next month.

In short, this is a case where a British manufacturer has used a Japanese import to help it leapfrog into a new product type.

The potential benefits of the other deals are less certain. Both TI Matrix and KTM are already well established in the machining centre business and are merely attempting to fill gaps in their product ranges.

Chemicals demand met by imports

By Carla Rapoport

THE BUOYANT recovery in demand for chemicals and plastics by UK industry is being increasingly taken up by importers.

According to statistics from the Chemical Industries Association (CIA) the volume of imports of chemicals into the UK was around 19 per cent higher in the first quarter of 1984, compared to the corresponding period in 1983. At the same time, sales volumes of the UK chemical industry rose by less than 6 per cent.

Import penetration of chemicals into the UK is now at about 39 per cent, compared to 27.5 per cent in 1979 when the output of the industry last peaked. The CIA said yesterday that home demand for chemicals and plastics had now exceeded the 1979 levels, after showing an increase of around 6.5 per cent in the first quarter of 1984 over the same period in 1983.

The continued strength of imports is due to a number of factors. The industry claims that its energy costs are higher than those of its continental European competitors. This discrepancy and the heavy rationalisation of the industry in the last three years have led to the appearance of a number of product gaps among UK chemical producers. In addition, the move to the fast-growing market for speciality, higher value-added chemicals in the UK has in many cases been preceded by similar moves by the industry's French, German and Swiss competitors. With more experience in these areas, the European companies are proving hard to beat.

As a result, the level of import penetration varies widely across the industry. Imports account for only 8 per cent of sales of soaps and detergents in the UK, while 85 per cent of the market for photographic materials and chemicals are met by foreign suppliers.

The largest proportional rise in imports in 1983 came from the Middle East and North Africa, together showing a 57 per cent increase in imports over 1982. Together, these countries account for less than 1 per cent of the £5.2bn in imports, but, with Saudi Arabio's petrochemical plants soon to come on stream, their impact in Britain is expected to grow.

Despite the growth in imports, the industry still maintains a favourable trade balance of around £1.8bn in 1983. Exports increased by 11 per cent in the first quarter of 1984.

New UK-Amsterdam air return of £49

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AIRWAYS and KLM, the Dutch airline, are to cut the cheapest air fare between London and Amsterdam by £38 to a new low of £49 return from July 1.

Called the Latesaver fare, it will compare with the current cheapest rates of £87 for an advanced purchase excursion (Apex) return, £132 return for a Eurobudget ticket, and with the current £158 club class return rate.

It is being introduced as an experiment. The two airlines believe that it could mark the start of similar experiments in other European countries, although progress so far in achieving cheap fares in Western Europe has been slow, and could continue to be so.

One aim of the new cheap fare is to compete with rail and ferry services between the UK and Holland. The UK-Amsterdam air route carries over 300,000 passengers a year.

Passengers seeking to use the cheap air fare will only be able to do so, however, on a "space available" basis. The airlines will continue to offer the full range of higher fares, offering confirmed bookings at those rates.

Would-be travellers can buy the cheap ticket at any time on an "open date" travel basis. The day before the desired date of travel, they can check with travel agents or the airlines, and if space is available, have their tickets validated for the flight of their choice.

If all the space is taken up, they will be obliged to wait for a later flight. Apart from that, there are no other restrictions, with the Latesaver fare being offered on all flights throughout the week.

The cheap rate thus falls considerably below the "breakthrough" that many had expected, but is still likely to generate a considerably improved volume of traffic.

At this stage, neither BA nor the UK Government (which has been instrumental in reaching the agreement with the Dutch), can tell what the response of other countries will be.

Other European airlines, the EEC and the European Parliament will be watching the experiment through the summer. Decisions on whether to seek negotiations with other countries to extend it will be taken then.

● BA is buying three new British Aerospace type 748 twin-turboprop airliners, worth about £9m, for its Scottish Highlands division.

The 48-seat aircraft will replace three existing ageing 748s which have been on lease to BA for some time. The new aircraft will keep the 748 fleet at five aircraft, including two bought by BA some years ago. Delivery is expected in September and October.

Last week, BA's Highlands division announced a profit of around £250,000 for the year ended March 31, the first profit recorded on Scottish internal routes.

The division has also cut its staff from 808 to 184, and improved standards of service. It carries 250,000 passengers a year on routes ranging from Glasgow and Edinburgh to Stornoway and Sumburgh in the Shetlands.

Miners prepare for long strike

BY JOHN LLOYD, INDUSTRIAL EDITOR

THE NATIONAL Union of Mineworkers' leadership is prepared for a strike lasting well into the latter half of this year, when coal stocks at power stations will begin to run down.

Nearly 300 miners were arrested in Scotland yesterday as they were stopped when travelling by bus from the Fife coalfield in the direction of the Ravenscraig steel plant, which the Scottish NUM is attempting to close.

The NUM executive yesterday cancelled its annual conference – due to take place in Tenby in early July – and decided that all the union's paid officials forego their salaries for the duration of the dispute, as the three national officials have done since March.

Mr Arthur Scargill, the NUM president, will call on the transport unions – which have already given the NUM support – for further action at a meeting today, possibly including a programme of rail stoppages.

The NUM president said that "mediators" had been in touch with the NUM, suggesting a basis for talks with the National Coal Board (NCB). It is understood that these are officials of the National Association of Colliery Overmen, Deputies and Shotfirers – though none would comment on contacts last night.

Mr Scargill said the union was prepared to engage in "formal or informal talks" – but repeated his insistence that no discussions would be held on pit closures or redundancies. However, Board officials remain hopeful that a climate for renewed talks is being created which will ultimately result in a meeting.

Mr Scargill will also visit the Polish and other embassies of countries from which the UK imports coal, in an effort to persuade their governments to halt the shipments.

However, he claimed that coal imports were less than had been publicised, and said that the Central Electricity Generating Board had 17m tonnes of coal left, enough for nine weeks supply at normal burn rates.

Mr Scargill's confidence on the progress of the strike was interlaced, however, with comments to the effect that Nottinghamshire miners, who are defying the strike call should now join to bring it to a speedy and successful conclusion.

The mass arrests in Scotland took place after police met eight coachloads of miners and stopped them on the main Stirling to Glasgow road. The miners sat down in the middle of the road in protest, and were then arrested for obstruction.

£60m launch aid for aero-engine

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE BRITISH Government is to provide £60m in launch aid for Rolls-Royce, to help it develop the new international V-2500 aero-engine in conjunction with Pratt & Whitney of the U.S. and other companies. The company had originally asked for £113m.

Rolls-Royce's total share of this venture is estimated at £226m or about 30 per cent of the £750m estimated total development cost of the engine.

The company had planned to find £113m of its £226m share from its own resources, and had asked the Government for the other £113m.

The £60m granted means that it must find another £53m from its own resources – a total of £166m.

The V-2500 is also being developed with Motoren- und Turbinen Union of West Germany, Fiat Aviazione of Italy and Japanese Aero-Engines.

It is intended for the new generation of 150-seat airliners, such as the European A-320 Airbus, and other projects that may emerge from Boeing and McDonnell Douglas in the U.S.

A new company, International Aero-engines (IAE), has been set up to run the programme.

Brazilians seek steel plant cash

Financial Times Reporter

SIDERBRAS, the Brazilian state steel holding company, is attempting to revive its major, unfinished project, the $5.6bn (£4bn) Acominas steelworks, in which British companies and banks, led by Davy McKee, and Morgan Grenfell, have played the dominant role.

While first reactions of the Brazilian Planning Ministry to a request for more funds for the venture have been cool, contacts have been renewed over the past two weeks with the British Government, along with Davy and Morgan Grenfell, to explore British feeling towards finishing off the project, which is almost complete.

Brazil's heavily indebted steel industry has been among the hardest hit sectors by the country's effort to reduce public sector spending in line with International Monetary Fund guidelines.

Sr Henrique Branadao Cavalcanti, president of Siderbras, last week asked the ministry to double this year's budget for the integrated steelworks to Cr 1,400bn (£883m) to enable it to start operating next March. The ministry has yet to decide on the request.

ICL wins big U.S. contract

By Raymond Snoddy

ICL, Britain's largest computer company, has won a multi-million dollar order from Payless Cashways, one of the largest building material retailers in the U.S.

The order is for a processing system to be installed in most of Payless Cashways' 139 retail outlets across the U.S. Yesterday, ICL was unable to say how much the order was worth but it is believed to be around $10m.

The ICL package involved is a specialised one for the building and do-it-yourself retail market. It involves point-of-sale terminals, informatioo displays printers and a System 25 computer for each retail outlet.

By interconnecting the local systems into a national network, ICL says, corporate and district management will have access to instant information on the state of their business.

The system will begin to be installed this summer and will take about 30 months to complete. For the 12 months ended in February this year Payless Cashways reported sales of more than $1bn. The company plans to have 200 big retail outlets by 1986.

UK NEWS

Ferry group plans to curb fares perk

BY CHARLES BATCHELOR

EUROPEAN FERRIES, the Townsend Thoresen cross-Channel ferry group, plans to restrict one of the *most popular shareholder perks offered* by any UK company – its 50 per cent concession on fares.

It has also announced that it is considering spending up to £100m on new vessels and £40m oo expanding port facilities at Felixstowe.

European Ferries hopes the Office of Fair Trading will soon free it to bid for Sealink, British Rail's ferry operation, which is due to be privatised.

The company will create a new class of preference shares with limited voting rights but with the half-fare concession guaranteed for the next 15 years.

New ordinary shares, intended to appeal mainly to institutions, will not qualify for the concession hut will earn a greater share of profits. *These* will *have full voting rights.*

Half the company's 160,000 individual shareholders used the concession in 1983, saving an average of about £70 on each journey for a lamily of four with a car and costing European Ferries about £5.6m.

Mr Ken Siddle, chairman, *said*: "We have got to saturation point. The cost and the administrative burdeo have also become too great."

European Ferries proposes allowing shareholders to exchange eacb existing share either for one new 25p ordinary share or one new £1 preference share. A 75 per cent majority of shareholders must approve this plan.

Shareholders with at least 300 shares will qualify for the cheap fare to January 1988 but thereafter must hold at least 600 shares to get the full concession. The company announced a 44 per cent rise in pre-tax profits to £44.1m in 1983. Turnover rose 10 per cent to £323m.

Its shares rose 8½p to a 1984 high of 117p. Profits were boosted by ex*ceptional item worth £5.9m – most* of it the insurance payment following the sinking of the European Gateway ferry in December 1982.

Banks plan awards for grievances

By David Lascelles

BRITAIN's big retail banks are to create a banking ombudsman with the power to make awards up to £100,000 to settle their customers' complaints.

The step is being taken in response to growing criticism of bank service and the lack of recourse for people who feel bard done by but cannot afford legal action.

The scheme will probably be unveiled later this month after final details bave been approved. At the same time, banks have prepared a code of practice to cover their fast-growing investment and securities business.

All the big London and Scottisb clearing banks are expected to support the ombudsman project, and other banks with large private customer business, will be invited

The *ombudsman will* be appointed by a council which the banks will set up but on which they will be in a minority

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Roger Taylor

Albert Humphrey and Miryam de Baere are using his Tam system to plan the development of their marriage

How teams can score corporate goals

BY BRIAN GROOM

ALBERT HUMPHREY is an ebullient, 58-year-old American with an idea whose time he hopes may at last have come. His brainchild is a business development technique called Team Action Management (Tam). In 15 years it has made only modest progress, but now there are stirrings of wider interest.

Examples like Anglia Canners help. Managers of the Allied Foods subsidiary of Associated British Foods thrashed out plans at a Tam session three years ago to enter export markets. Now the company sells £10m a year of canned and frozen fruit and vegetables to the EEC, Middle East and U.S., and recently won the Queen's Award for Export.

Tam is a systematic, structured technique for sitting managers round a table to diagnose problems, prescribe remedies, and provide budgeted plans to carry out tha treatment. It is a mechanical process aimed at breaking down the psychological barriers to team work.

About 50 companies have used it, not only in Britain, where Humphrey lives, but also in the U.S., Mexico, France, Switzerland, Germany, Norway, Denmark, Belgium and South Korea. Users have included W. H. Smith, British Printing Corporation, Kalamazoo, Huntley and Palmer, Metal Box, Rolls-Royce Aero division and Philadelphia National Bank.

"We have measured productivity increases of 30 to 45 per cent within a short period after the application of Tam," claims Humphrey. About 20 more companies are showing an interest, and next Tuesday the Industrial Society—the British organisation which promotes participative management styles — will publicise it at a special seminar.

Part of the reason why it has never taken off is suspicion of yet another management technique. Customers in the UK also say Humphrey's personality can be a hindrance. American effervescence rubs English reserve up the wrong way, and he tends to oversell the product.

Don Sanderson, now managing director of Allied Foods, has used Tam regularly since taking charge of the Anglia Canners subsidiary 12 years ago. Although the system has drawbacks, he says, he has found it a useful aid.

The previously loss-making Anglia is now the most profitable canner in the UK, he claims, in terms of return on total assets and cash generated for its parent. Sales have trebled in the past eight years (up from £17.6m to £28.2m in the two years to 1982-83, with pre-tax profits jumping from £437,607 to £2.27m in the same period) and employees have nearly doubled to 700.

"I started with Tam because I required three things: to draw out ideas from the existing management and workforce, to see how good the management team were as people, and to see what the business possibilities were at each of the four sites," he says.

"Traditionally the accountants did the figures, while production managers, sales supervisers and others did not see things like cash flow, credit control, and stock build as their role. The aim was to get people to understand what profit and cash was all about in terms of the effect their department had on it."

Once a year a Tam planning session lasting at least a week is held at each factory and at company-level. Production, sales, engineering, buying and other middle managers are involved. There are two or three shorter follow-up sessions later in the year.

The process begins with everyone, from shopfloor workers to the managing director, being invited to fill in forms with ideas on everything from the state of the toilets to new products. Usually, about 100 forms are received from each site, generating 40 or 50 new issues, with most viable ideas coming from managers. This replaced an ineffective traditional suggestion box scheme.

Round the table, forms are divided into piles, each containing the same ideas, and allocated to individual participants. As far as possible people are given subjects outside their own responsibilities (Tom Hardwick was Anglia's UK sales director when the idea of exporting fell on his lap. He was told to set it up, and now is chief executive of the export division).

The ideas are summarised, and people set about analysing the problems with which they have each been faced, drawing up recommendations for action, and programmes for implementation.

These are entered in detail on forms for six-month or three- to four-year plans. Calculations of their cost are included, along with projections of savings and of the effect on sales and profits.

Each person then presents his or her plan and defends it in the face of cross-questioning from the others. Priorities are set for those plans which are agreed, but the final decision on whether to go ahead with plans rests with top management.

Sanderson finds the system well suited to canning because it is a business in which different options need to be examined. The optimum product mix keeps changing, as do conditions beyond the company's control (the pea crop may come in two weeks early, or two weeks late).

Some plans fail—for instance, Anglia launched a pet food but failed to get enough market share to make it pay.

Success has outweighed failure. Tam helped Anglia decide to get out of unprofitable meat canning (closing its Leeds factory which employed 20 people), and move into frozen food. Exporting has worked well. Tam also helped the company devise a philosophy of aiming at small niches in the market ignored by multinationals.

Sanderson finds two main drawbacks with the system: it takes people away from their job for several days, and can undermine the traditional role of the accountant. "You are opening up some of the mysticism and showing it to be just common sense."

But he adds: "The system is good as long as it is led from the top." He also feels it must be modified to suit individual circumstances. Anglia has built it into its annual budgeting process, and makes presentations to the workforce outlining what happened to all the ideas put forward.

Humphrey believes his system works best with issues which cut across lines of individual responsibility and require many people's skills. These can be one-offs like launching a product or planning a new factory. But he is disappointed when people use Tam only once—as more than half of his customers have done.

Tam is basically a method of getting things decided and carried out, and avoiding the neglect of planning caused by pressure of day-to-day business. As a mechanical process it aims to overcome psychological barriers such as apathy, negative attitudes, or the embarrassment of individuals having to accept outside suggestions for improvements in their own area.

There is no doubting Humphrey's enthusiasm for his creation. He and Miryam de Baere, the 32-year-old Belgian he married last October, are using Tam to plan the development of their marriage, and meld it with the running of their consultancy, Business Planning and Development, from a flat near Euston in London.

They worked out 38 "action programmes" one weekend to organise their somewhat complicated lives. To enable Miryam to see her two children by a previous marriage, they have bought a house in Antwerp where she will spend part of the year and at the same time open up the Benelux market.

They decided through Tam that Miryam should go into property development. Her programme tells her she must buy two properties and have them renovated.

"Humph" has a personal development programme which requires him to cut out swearing, and stop calling women "bun," "baby" and "love." Says Miryam: "Planning sessions take out all the aggravation. We know what we have to do."

Calling in the experts to find the experts

Peter Marsh on a solution to new technologies staffing problems

THE BOSSES of a plastics company in the West Midlands had a headache. They had just splashed out on a batch of sparkling new injection-moulding machines.

Computer-controlled, the hardware promised to turn out plastic widgets at lightning speed. But what kind of worker should operate the equipment?

That, according to Dr Peter Spurgeon of a Birmingham company called Occupational Services, is a typical problem faced by many employers when they turn over to new machinery.

Spurgeon says that personnel managers are often woefully ignorant about the skills they should be looking for when they recruit workers to supervise new plant.

Technical people in the company may have a better grasp of the problem. But, often, they cannot put their knowledge into words that the staff in the personnel department can understand.

As a result, the company may end up hiring the wrong people—which can lead to inefficient production, or, at best, long and expensive retraining procedures to adapt the workers to their new jobs.

Occupational Services, which is based on Aston University's Science Park, aims to help out commercial ventures faced with this kind of difficulty.

Dr Spurgeon and a colleague, Dr John Patrick, set up Occupational Services last May. Both men work part-time in the department of occupational psychology at Aston University. Their company, with a full-time staff of five, works under contract to industrial concerns and this year should have a turnover of about £50,000.

In the case of the plastics company, Occupational Services talked over a period of six months to people from the company who had either specified the new machinery or were involved in training.

From the discussions, Occupational Services built up a profile of the workers that the company needed. The consultants classified the skills that were required under specific headings — for example, the ability to reason logically, manual dexterity and mathematical ability.

The main requirement, so it turned out, was for people to diagnose faults in the new machinery and, to a large degree, to put them right themselves without calling in an electrician or a fitter.

Extra skills

This was on the basis that the computers in the manufacturing system left less for the workers to do in terms of controlling individual manufacturing operations. But the hardware required extra skills when it came to unravelling the causes of production breakdowns of components that did not meet engineering tolerances.

Perhaps paradoxically, says Spurgeon, jobs of this sort do not necessarily require extra flexibility on the part of the worker. Instead, he or she needs to follow a set line of thinking to deduce the reasons for faults and what to do as a result.

"In this kind of diagnostic job, you don't want the workers to be original," declares Spurgeon. "You want them to come up with solutions to problems that are generally predictable."

Only in "higher level" jobs in automation are people required to be truly creative. In these jobs, for example, the workers would reprogram machines or work out new ways of operating them more effectively.

The next step in the work for the plastics company, was to devise a set of tests for prospective employees that highlighted the qualities demanded in the job. The tests took the form of questionnaires, exercises in logical reasoning and some manual work.

The company conducted conventional interviews with people who applied for the jobs. These people included newcomers to the company as well as members of the existing workforce. The psychological tests supplemented this conventional way of recruiting new employees. As a result, the company took on 20 people to run the new machines.

Many of the theories of Occupational Services are based on research work at Aston University. Spurgeon wants to build up the company to capitalise on this and on a solid knowledge of working practices in industry.

Other work in which the company is involved includes a study to identify implications caused by technical changes among computer staff.

Occupational Services is also trying to produce ways of assessing factors notoriously difficult to quantify — job satisfaction for instance. The company is assessing training programmes, in the computer industry for example, and is particularly interested in computer-based learning techniques.

Business courses

What is organisation development? Uxbridge. June 14-15. Fee: £225. Details from the Secretary, Management Programme, Brunel University, Uxbridge, Middlesex UB8 3PH. Tel 0895 56461.

Principles of effective management, Bromley, Kent. June 10-15. Fee: £650. Details from the Client Services Director, Sundridge Park Management Centre, Bromley, Kent BR1 3TP. Tel 01-460 8585.

Accounting developments update, London. June 20. Fee: £100+VAT. Details from Management Training Administrator, Peat, Marwick, Mitchell and Co, 1 PuddleDock, Blackfriars, London EC4B 4PR. Tel 01-236 8000.

The Executive Secretary, London. June 20. Fee: BIM individual members and corporate subscribers £90 + £13.50 VAT. Non-members £105 + £13.50 VAT. Details from Conference Office, British Institute of Management Foundation, Management House, Cottingham Road, Corby, Northants NN17 1TT. Tel 05363 4222.

Executive performance through coaching. London. June 19-21. Fee: Members of British Association for Commercial and Industrial Education £220; non-members £253. Details from British Association for Commercial and Industrial Education, 16 Park Crescent, London W1N 4AP. Tel: 01-636 5351.

Accounting developments update, London, June 20. Fee: £100 + VAT. Details from Management Training Administrator, Peat, Marwick, Mitchell, 1 Puddle Dock, Blackfriars, London EC4P 4PR. Tel: 01-236 8000.

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
11	12	13	14	15	16	17

Opera and Ballet

LONDON

Royal Opera, Covent Garden: the latest revival of L'elisir d'amore marks Sir Geraint Evans' final series of public appearances: the cast also includes Luis Lima, Sona Ghazarian, and Ingvar Wixell, with Gabriele Bellini (London debut) conducting. Last performances of Britten's Midsummer Night's Dream, in which a largely new cast is led by the familiar Oberon of James Bowman. (240 1066).

English National Opera, Coliseum: The season draws towards its close with the new production (dogged and dull to the eye) of The Sicilian Vespers, a rare Verdi opera lent lustre by the singing of Rosalind Plowright and Neil Howlett; also the Rosenkavalier revival offering a particularly notable central trio (Barstow, Burgess, Anne Dawson), and The Magic Flute with Rowland Sidwell and Valerie Masterson. (278 8916).

Dominion Theatre: Moscow Classical Ballet with Ekaterina Maximova as guest in The Creation of the World (Wed and Thur).

Royal Opera House, Covent Garden: A triple bill of Argan, Return To The Strange Land and Derek Deane's Fleeting Figures.

Sadler's Wells, Rosebery Avenue: London Contemporary Dance Theatre season opens on Tuesday with a triple bill. (278 6916).

PARIS

Roland Petit and the Ballet National de Marseilles at the TMP-Châtelet (info: 233 0000, bookings: 261 1983).

Traditional Music from India (6.30 pm) and Bejart influenced Gyor Ballet from Budapest (8.30 pm). Théâtre de la Ville (274 2277).

NEW YORK

American Ballet Theatre (Metropolitan Opera House): Ends June 16.

New York City Ballet (New York State Theater): 37 repertory works, including 24 by George Balanchine and 10 by Jerome Robbins, comprise the spring season, featuring this week a world premiere by Peter Martins. Ends June 24. Lincoln Center (870 5570)

The New Moon (Light Opera of Manhattan): Sigmund Romberg's tale of French Louisiana in the 17th Century includes the songs Wanting You and Lover Come Back To Me. Ends May 27. 334 E 74th (861 2288).

WEST GERMANY

Berlin Deutsche Oper: La Traviata with Julia Varady, Giorgio Lamberti and Leo Nucci; Pelleas und Melisande, produced by Götz Friedrich, with Karen Armstrong and Ryland Davies; Madame Butterfly with Raina Kabaivanska in the title role. Die Entführung aus dem Serail has Karin Ott and Alejandro Ramirez. (34381).

Hamburg, Staatsoper: Die Entführung aus dem Serail is again added to the programme starring Mariella Devia and Peter Schreier. (351151).

Cologne, Opera: Falstaff was highly acclaimed with Walter Berry in the title role. The Magic Flute is worth a visit with Edith Mathis and Martti Salminen. Fidelio features Kathryn Montgomery-Meißner and Hermann Winkler. (20761).

Stuttgart, Württembergische Staatsoper: There was much applause for Hans Werner Henze's Don Quichotte, produced by Andreas Meyer Hanno. It has Mario Brell in the title role. Die Entführung aus dem Serail has fine interpretations by Alfred Kuhn and Ursula Koszut. Further performances are Gluck's rarely-played Iphigenie auf Tauris, Don Pasquale and Rigoletto, sung in Italian, with Igor Filipovic and Roland Wolansky. Figaro's Hochzeit rounds off the week. (20321).

Frankfurt, Opera: La Traviata has Nelly Miricioiu in the title role. Die Lustige Witwe is a well done repertoire performance. Lulu, with a complete third act, is conducted by Michael Gielen. Capriccio returns with Judith Somogi making her debut as conductor, as well as Helena Doese in the part of the countess. Madame Butterfly is a Harry Kupfer production and has Yoko Watanabe outstanding in the title role. Carmen has guest conductor Manfred Ramin (25621).

ITALY

Florence: Teatro Comunale: As part of Florence's Maggio Musicale, a new, and controversial production of Rigoletto directed by Yuri Lyubimov. The recently-exiled Russian's insistence on adequate rehearsal and punctuality has so far led to the resignation of the conductor and two principals (they claim to disagree with his interpretation). The conductor will now be Hans Graf, with Antonio Salvadori in the title role, and the young greek soprano, Jenny Drivala. (216253).

Rome: Teatro dell'Opera: Parsifal, conducted by Wolfgang Rennert, with Sven-Olof Eliasson, Gabriele Schnaut and Karl Ridderbusch. (461755).

Music

LONDON

Philharmonia Orchestra and Chorus conducted by Giuseppe Sinopoli with soloists. Verdi Requiem. Royal Festival Hall (Tue). (928 3191).

London Soloists Chamber Orchestra conducted by David Josefowitz with Tang Yun, violin. Mozart and Mendelssohn. Queen Elizabeth Hall (Tue). (928 3191).

Paul Roberts, piano: Debussy and Falla. Purcell Room (Tue). (928 3191).

Halle Orchestra conducted by James Loughran with Ruggiero Ricci, violin. Verdi, Mendelssohn and Elgar. Barbican Hall (Wed). (638 8891).

London Mozart Players conducted by Harry Blech with Henryk Szeryng, violin. Schubert, Haydn and Beethoven. Royal Festival Hall (Wed).

Peter Katin, piano: Liszt. Queen Elizabeth Hall (Wed).

Royal Philharmonic Orchestra conducted by Myung Whun Chung with James Galway, flute. Kodaly, Khachaturian and Dvorak, Royal Festival Hall (Thur).

Fires of London conducted by John Carewe and Peter Maxwell Davies with Mary Thomas, soprano and Tom Yang, dancer. Judith Weir and Maxwell Davies. Queen Elizabeth Hall (Thur).

English's Chamber Orchestra and Pro-Musica Chorus of London conducted by Jeffrey Tate with Teresa Cahill, soprano, Keith Lewis, tenor and Gwynne Howell, bass. Haydn's Creation. Barbican Hall (Thur).

PARIS

Ircam – Ensemble Intercontemporain conducted by Gustav Kuhn, Raili Viljakainen, soprano: Anne le Baron, Bruno Maderna, Zimmermann, R. Strauss (Mon). Théâtre du Rond-Point (256 7080).

Ensemble Instrumental de France: Bach, Mozart (Mon). Théâtre des Champs Élysées (723 4777)

Yvonne Minton recital. John Constable, piano: Strauss, Wagner, Rachmaninov, Copland, Britten (Mon). Théâtre de l'Athenée (742 6727).

Orchestre Colonne conducted by Claudio Scimone with Orchestre Colonne Choir: Rossini's Stabat Mater (Mon). Salle Pleyel (233 7280).

Paul Küntz Orchestra and Choir and Albert Roussel Choir: Mendelssohn's Paulus, oratorio for 200 participants (Tue). Saint-Severin's Church (633 8761).

Ensemble Orchestra de Paris conducted by Hikotaro Yazaki, Annie d'Arco, piano, Raphael Oleg, violin: Honegger, Mendelssohn, Mozart (Tue). Salle Gaveau (563 2030).

Ensemble Orchestral de Paris-chamber music: Lekeu, Saint-Saens, Schumann (Wed). Salle Gaveau (563 2030).

Martin Egel, bass baritone. Marisa Borini recital: Lieder by Beethoven, Brahms, Mendelssohn, Schubert, Schumann (Wed). Théâtre des Champs Elysées (723 4777).

Armason: Dele Pa've – a folkloric Columbian group mixing music, theatre and dance in a heady cocktail (Wed, Thur). Cité Universitaire, 21 Bd Jourdain (589 3869).

L'Orchestre du XVIIIe Siècle conducted by Frans Bruggen, John Gibbons, piano. Haydn, Mozart, Beethoven (Thur). Théâtre des Champs Élysées (723 4777).

NEW YORK

New York Philharmonic (Avery Fisher Hall): Erich Leinsdorf conducting, Yo-Yo Ma, cello. Shostakovich, Schmidt (Tue); Erich Leinsdorf conducting, Leon Fleischer piano. Roussel, Debussy, Ravel (Thur). Lincoln Center (874 2424).

Carnegie Hall: Danish National Orchestra: Sixten Ehrling conducting. Peter Zazofsky, violin. Grieg, Mendelssohn, Nielsen (Mon); Elmar Oliveira, violin, Robert McDonald, piano. Handel, Prokofiev, Suk, Brahms (Wed); Y Chamber Symphony, Gerard Schwarz conducting, Alfred Brendel, piano. All-Beethoven programme (Thur). (247 7459).

Kaufman Hall (92nd St Y): Christopher Trakas, baritone, Steven Blier piano. Paula Robison flute, Ronald Thomas cello. Telemann, Schubert, Liszt, Montsalvage, Ravel (Tue). 1395 Lexington Av (427 4410).

WASHINGTON

National Symphony (Concert Hall): Andrew Litton conducting, Doc Severinson, trumpet. Last in the season's pops concerts (Thur). Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestra Hall): Claudio Abbado conducting Samuel Magad violin. Mozart, Hindemith, Brahms (Thur). (435 8122).

VIENNA

Aida conducted by Lorin Maazel with Maria Chiara, Victoria Vergara, Luciano Pavarotti and Bernd Weikl. (Sun); Barber of Seville conducted by Richter with Kuhlmann, Winsauer, Gimenez. (Mon und Wed); Die Walküre concert performance conducted by Lorin Maazel with Hass, Jones, Ludwig, Lotte, Rysanek, Borowska. (Thur). Staatsoper (5324/2655).

Johann Strauss' Wienerblut conducted by Binder with Holzmayer, Haas, Papouschek. Volksoper (Tue). (5324/2657).

SURPRISE IN LONDON

Jazz singer Elaine Delmar is in residence at the Surprise restaurant, Great Marlborough Street, London, until July 7, offering two sets each Friday and Saturday evening.

Her appearances are helping to establish this American restaurant as a super club offering a menu emphasising regional specialities. The restaurant ist also a visual treat. The walls are filled with more than 100 prints, posters and photographs representing a comprehensive survey of 50 years of American art.

American businessman Robert Leaf founded the restaurant four years ago. "I was looking for something that would not only have local appeal but which would attract visiting businessmen," he said.

John Falding

Theatre

LONDON

The Aspern Papers (Haymarket): Vanessa Redgrave and Wendy Hiller give superb performances in Michael Redgrave's 1959 version of Henry James's story. The inquisitive scholar who descends on their Venetian palazzo is played, ponderously, by Christopher Reeve. (930 9832).

A Streetcar Named Desire (Mermaid): Sheila Gish gives the performance of her life as Blanche Dubois in Alan Strachan's excellent revival, first seen last year at Greenwich. Tennessee Williams's emotional roller-coaster of a play amounts to one of the best evenings in town. (930 6123).

Little Shop of Horrors (Comedy): Campy off-Broadway import which is less good than The Rocky Horror Picture Show but which has a curious charm, a full-blown performance from Ellen Greene and an exotically expanding man-eating prickly plant. (930 2578).

Pack of Lies (Lyric): A decent, enthralling play about the breaking of a spy ring in the suburban Ruislip of 1959-60. Hugh Whitemore's script cleverly constructs a drama about betrayal from the friendship of neighbours. The story is based on fact and well directed by Clifford Williams. (437 3686).

The Real Thing (Strand): Susan Penhaligon and Paul Shelley now take the leads in Tom Stoppard's fascinating, complex, slightly flawed new play. Peter Wood's production strikes a happy note of serious levity. (836 2660/4143).

Daisy Pulls It Off (Globe): Enjoyable romp derived from the world of Angela Brazil novels: gym slips, hockey sticks, a cliff-top rescue, stout moral conclusion and a rousing school hymn. Spiffing if you're in that sort of mood. (437 1592).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Saint Joan (Olivier): Staid and stolid National Theatre revival of a play that is finding it increasingly hard to live up to the tag of Shaw's masterpiece. Frances de la Tour is sincere and unrhetorical to a fault as the maid, and Ronald Eyre's direction includes medieval pageant, some striking music by Ilona Sekacz and, alas, a disastrous deputy inquisitor from Cyril Cusack. (928 2252).

See How They Run (Shaftesbury): The line is not, after all, "Arrest some of these vicars" (as Tom Stoppard thought) but "Arrest most of these people." Philip King's 1945 farce is one of the funniest plays in English, a veritable period classic, and Ray Cooney's revival is, on the whole, splendid. A village prude sips too much sherry and finds the stage awash with clergymen, some of them genuine. The farceurs include Maureen Lipman, Derek Nimmo, Michael Denison, Christopher Timothy. (930 8577).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, a la Supremes, without the quality of their music. (239 6200).

Nine (46th St): Two dozen women surround Sergio Franchi in this Tony award winning musical version of the Fellini film 8½, which like the original celebrates creativity, here as a series of Tommy Tune's exciting scenes. (246 0246).

On Your Toes (Virginia): Galina Panova with presumably a genuine Russian accent leads an exuberant cast in the remake of Rogers and Hart's 1936 sendup of Russian ballet tours, complete with Slaughter on Tenth Avenue choreographed by George Balanchine and directed, like the original, by George Abbott. (977 9370).

Brighton Beach Memoirs (Neil Simon): If he wasn't sure before, playwright Neil Simon can expect a long run of his funny as well as touching childhood reminiscences now that the Nederlander organization has generously decided to name the theatre after the generation's outstanding box office draw. (757 8646).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Carmen (Vivian Beaumont): Peter Brook has done an excellent job in transforming this Lincoln Center landmark into a spruced-up version of his grubbier Paris Bouffe du Nord home for a fast-paced, stripped-down seven-performer, but wholly engrossing version of Bizet. (874 6770).

Noises Off (Brooks Atkinson): Dorothy Loudon brings Michael Frayn's backstage slapstick farce to Broadway in Michael Blakemore's production that includes Brian Murray, Paxton Whitehead and Victor Garber as her backstage conspirators. (245 3430).

The Real Thing (Plymouth): After 14 months in London, Tom Stoppard's latest giggle at the English intelligentsia, with a new-found attention to the heart that beats beneath the veneer, arrived on Broadway in a cast headed by Jeremy Irons and Glenn Close, directed at a fast clip by Mike Nichols. (239 8200).

Glengarry Glen Ross (Golden): The Chicago cast from the Goodman Theatre provided David Mamet with a Pulitzer Prize for his latest work that pits fast-talking real estate salesmen against the world and each other. (239 6200).

CHICAGO

E. R. (Forum): Moving into its second year parodying melodrama in a hospital setting, this emergency room continues its adventures among a young doctor, a receptionist and an authoritarian nurse. (496 3000).

Exhibitions

LONDON

The Tate Gallery: the Pre-Raphaelites. The extraordinary revival of interest of Victorian art in recent years, and its consequent rise in value, has made a proper critical re-evaluation long overdue; and now, with this copious and quite splendid exhibition, the subject is wide open. What had for so long been taken as merely a close and limited movement is clearly shown to be not so except in its earliest year, but rather a looser association of more general relevance. Millais, Maddox Brown, Holman Hunt, Rossetti and Burne-Jones all gain by the chance to be seen on their individual merits, and to emerge as substantial and consistent artists in their own right. The history of British art will never read the same again. Ends May 28.

The Serpentine Gallery, Kensington Gardens: Anthony Caro – an important and, in London's most charming gallery: a review of the work since 1969 of Anthony Caro, who now enjoys an international reputation as a sculptor second only to Henry Moore's, but who is yet a generation younger and still remarkably active and prolific. He is perhaps the leading abstract sculptor of his time and has exerted immense influence on younger artists. Ends May 28.

PARIS

Camille Claudel: 70 sculptures accompanied by paintings, drawings and engravings prove the individuality of Rodin's pupil who, through her realism and, later on, a sense of the theatrical, found her own way. Musée Rodin. Closed Tue. Ends June 11 (705 0134).

Pierre Bonnard: an important retrospective of the painter whose canvases filled with colour and light glorify the beauty of the human body as he painted time and again Marthe, his wife, at her toilet, in her bath. His Mediterranean landscapes radiate the same joyous love of nature. Centre Georges Pompidou (278 7995). Closed Tue. Ends May 21.

Masterpieces of American Painting 1760-1910. More than 100 paintings – among them Whistler's Mother, Sargent's Madame X and Mary Cassatt's Impressionist work – span 150 years of American creation. The panorama of realistic portraits, dramatic landscapes, genre scenes and symbolist paintings culminating with Homer and Eakins and proves abundantly that the New World did not have to wait for the contemporary period to affirm a powerful identity of its own. Grand Palais (261 5410). Closed Tue. Ends June 11.

Italian Illuminated Manuscripts from 6th to the 16th century. 160 exhibits that include such treasures as an illustration of Petrarch's Triumph of Chastity retrace the development of the art of illumination from late antiquity to the Renaissance. Bibliotheque Nationale, All days 12am-6pm, ends May 30. (261 8283).

NEW YORK

Painting in the South (National Academy of Design): Nearly four centuries of work from the American South in 110 paintings include Charles Willson Peale, Winslow Homer, Edward Hopper and Arshile Gorky. Starting with a watercolour, Indians Dancing Around a Pole, from 1585, the show covers the gamut of genres from seascapes and landscapes to portraits and modern works to 1980. Ends May 27.

WASHINGTON

German Expressionist Sculpture (Hirshhorn): This is the first comprehensive look at works in plaster, bronze, wood and porcelain from the first two decades of this century in Germany. Included in the show of 33 artists and 120 sculptures are Max Beckmann, Emil Nolde, Wilhelm Lehmbruck and Ernst Barlach. Ends June 17.

Mark Rothko (National Gallery): 88 works on paper by a leading contemporary American artist begin a national tour with this exhibit in the East Building. The highlights are vivid watercolours from 1968 and 1969, a period when Rothko's canvases were already tinged with the sombre browns, blacks and greys that anticipated his suicide in 1970. Ends August 5.

WEST GERMANY

Cologne, Wallraf-Richartz-Museum, An der Rechtschule: Fifteen paintings by six Dutch masters of the Utrecht school of painting dating from the 17th century, on loan from the Utrecht Zentralmuseum. Ends May 20.

Düsseldorf, Kunstverein, 4 Grabbeplatz: Milan Kunc, the young Prague artist now living in Düsseldorf, is showing his imaginative, colourful canvas narratives – based on trivial, sometimes even syrupy motives. Ends May 27.

Stuttgart, Staatsgalerie: 500 graphical masterpieces from the 15th century to date are shown here on the occasion of the opening of the new house. Ends June 10.

Berlin, Nationalgalerie, 50 Potsdamer Strasse: The first exhibition in the Federal Republic dedicated exclusively to Edgar Degas (1834-1917), with 210 pastels, oil sketches and drawings. Ends May 20.

BRUSSELS

Treasures for the Table: Gold and silverware, porcelain and glass from Vienna, Paris and Brussels, including part of the solid gold service made for the Empress Maria Theresa and Louis XV's Sevres service offered to her to commemorate the Franco-Austrian alliance. Credit Communal Passage 44 until June.

ITALY

Rome: Casino dell'Aurora: A curious exhibition of instruments of torture dating from the Middle Ages until the beginning of the last century. Worth a visit more for the site (especially the fresco by Guido Reni from which the "Casino" takes its name) than for the contents. Until May 31.

NETHERLANDS

Hans Koper: An exhibition of the ceramics of this Dutch artist and craftsman, who died in 1981, can be seen at the Museum Boymans van Beuningen, Rotterdam, until May 20. Koper was well known in England, and the display is arranged in co-operation with the British Council and the Sainsbury Centre for the Visual Arts in Norwich.

Cinema/Nigel Andrews

Suffering for art's sake

Rue Cases Negres, directed by Euzhan Palcy
Cross Creek, directed by Martin Ritt
Harry and Son, directed by Paul Newman
Against All Odds, directed by Taylor Hackford

Paul Newman in "Harry & Son"

This week everyone wants to be a writer. In *Cross Creek* Mary Steenburgen plays the young Marjorie Kinnan Rawlings, author of *The Yearling*, banging away at her Remington amid the Florida swamps circa 1928. In *Harry & Son* young Robby Benson bangs away similarly, 100 miles north and 50 years later, much to the distemper of crane-driver Dad Paul Newman who thinks his son should get an honest job. And in *Rue Cases Negres* we have Euzhan Palcy's bewitching film of Joseph Zobel's semi-autobiographical novel about a young black hauling himself up by his I.Q. and imagination in 1930s Martinique.

This French-Martinique co-production stole unfanfared into last year's Venice Film Festival and snaffled two top prizes: Best First Film and Best Actress. The second went to the irresistibly named Daarling Legitimus, a movable mountain of matriarchal flesh, kindly and explosive, who plays our hero Josés grandmother. José (Garry Cadenat) is the bug-eyed life and soul of the one-street shanty village where the kids roar up and down all day — the grown-ups having been whisked off to machete duty in the cane-fields — and engage in such industrious practices as burning down neighbours' fences, swigging stolen rum and arranging title fights between snakes and mongeese.

The adults loom up again each eventide either to whoop the living daylights out of them or to hypnotise them happily with tall stories. Ma Tine (Miss Legitimus) and burly "Twelve Toes" (Eugene Mona) perform the first service, while old Medouze (douta Seck), a white-stubbled scarecrow with blazing eyes in a copper face, performs the second. "Cric!" he cries to José at the end of each sentence of his yarn, "Crac!" replies enthralled José, cueing in the next one: In what must be the Caribbean equivalent of "Are-you-sitting-comfortably-then-I'll-continue."

The film offers high enchantment for its first half, and only forfeits some when it ups satchel and follows our hero to Fort de France for his education. But even here Cadenat's marvellous José—eyes rounded in round-the-clock astonishment, face busy and alight as a pin-table—makes the boy's first writerly stirrings totally believable; as if the timer has gone off on an imagination that was always set to whir.

But the film's best scenes are its early ones. Without ever resorting to the tourist-picturesque, director Palcy creates a landscape of murmuring, sepia-brushed exoticism. Horseplay and ancestral wisdom and superstition and scrimping poverty blend into a closed-world compactness that can also explode outwards, creating the diaspora of a radiating culture. Zobel's 1950 novel was banned for 20 years in his own island, where the powers-that-were disliked his portrait of a Martinique exclusively divided between despotism and destitution. But Palcy's film is as strong on poetry as on protest. It rumbles its bellyful of outrage, but it also suggests that the best square meal may be the example of heroic self-help.

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Cross Creek is far less sure of what it is suggesting. In the raggedy wonderland of the Everglades, Martin Ritt's film steers its Famous Authoress through the growing pains of her talent without ever seeming to realise what a silly prig she is coming over as: chiefly thanks to the voice-over commentary, which regales us with the precious pretensions of Marjorie Kinnan Rawlings's writing delivered in the prim and catch-voiced purr of Mary Steenburgen.

After a dash of spiritual scene-setting up North ("My journey to maturity began in New York in 1928 . . . I was desperate to express myself") we motor South to the Florida dream-hovel Marjorie has bought to become a writer in; which overlooks a photogenic swamp, an orange grove and a completely mad Rip Torn. He plays her liquor-swillin' neighbour, given to shouting things like "Whaa howdee thay-ah!" while falling off a horse.

Our heroine starts by paying scant attention to Mr Torn, or to her other befriender, love-lorn hotelier Peter Coyote. "I had come here to work not socialise." But soon the pressure of gathering loneliness persuades her to employ a maid, and gardener, to say hello to the mad Torn, to fall in love with the Coyote and to find friendship and literary material in Torn's shy teenage daughter, Dana Hill. ("She stood on the threshold of womanhood.")

And once she gets going with her scribbling, there's no stopping her. When her first work, a Gothic novel, is given the heave-ho by Scribners, she despairs not, but like any good Hollywood suffering artist goes and walks through a thunderstorm for 10 minutes and then comes in, dripping wet, to type out her first masterpiece. Sure enough, her editor, Maxwell Perkins (Malcolm McDowell), soon arrives by car ("I've been visiting Ernest in Key West") and eagerly snaps up her typescript for posterity.

These two hours of pie-eyed picaresque owe most of their charm to the beauty of the setting, a water-lapped wilderness photographed by John A. Alonzo in lush colours faintly filtered with orange, some of their charm to the galumphing ham of neighbour Torn, and the rest of it to Miss Steenburgen's twee and throttled winningness which, even in the face of impossible material, never quite gives up and dies.

'The ghost of Hemingway appears incarnating booming precedents'

*

Harry & Son, in the face of ditto, does both. Once again the ghost of Hemingway appears, rattling his safari jacket and incarnating booming precedents for posterity. "Did you know that Hemingway was rejected 97 times before he was ever published?" cries aspiring novelist Robby Benson to his smoke-haired illiteratus of a Dad, Paul Newman. "Are you trying to break his record?" ripostes Dad. The film is like a remake of *Tribute*, mostly without the laughs, where Benson, if you recall, played Number One Son to numbed-by-life Papa Jack Lemmon. There, as here, family heartstrings were plucked furiously awry solely in order that Hollywood could come in with its tuning fork at the end and restore harmony.

Here our heartstrings are disarrayed chiefly by Newman's cardiac problems, which cause him crippling headaches and sudden blindnesses. After nearly felling a workmate one day with the demolition ball he's piloting from his crane, he loses his job and starts nagging Sonny to quit his typewriter and seek gainful employment. Comedy is then courted with the latter's progress through picaresque work-modes — a cardboard box factory, a car-repossessing job—but our smiles never loosen up into laughter.

And even Joanne Woodward, bringing a gorgeous breeze of sour-and-sloppy Bohemianism as a Newman-fancying petstore owner (who reads palms and teaches her parrot to sing Puccini), is defeated by the the film's all-purpose mawkishness, which can point round corners and shoot your smirk off like a hat. Finally Benson, like Miss Kinnan Rawlings, has his first story accepted. But will ailing Dad live long enough to enjoy the reflected kudos? And will the audience stay long enough to care?

Taylor Hackford's *Against All Odds* is, as if by magic entirely free of aspiring writers. It belongs to the genre of cinematic fast cars — sleek, streamlined and riding plexi-tyred over any filmgoer who complains of implausibility and hokum—which gave us *An Officer and a Gentleman*, also directed by Hackford.

Here he has taken Jacques Tourneur's wonderful *film noir* thriller *Out of the Past*, a symphony for shadows made in 1947 with Robert Mitchum, Kirk Douglas and Jane Greer, and turned it into a 1984 *film blonc*. Hackford's version is a sun-blinding adventure which leaps from California to Central America and back again, as out-of-work footballer Jeff Bridges is hired by gangland wheeler-dealer James Woods to find his girlfriend Rachel Ward, who's gone missing with his money in Mexico.

Husky-voiced Miss Ward, who eats men for breakfast and cracks vowels as voluptuously as she cracks nuts, is also the daughter of the L.A. millionairess who owns Bridges' team and who signatured his dismissal.

Is there a conspiracy here? And is sinister lawyer Richard Widmark connected to it, buying up giant chunks of dubious real estate, bedding Miss Greer and pointing unpleasant hardware at associates of Brooks and Bridges?

This is not one of those plots that thicken, being of the consistency of whipped quicksand to begin with. But Hackford has an uncanny flair for thumping a story along at breakneck speed, ploughing through the most unyielding passages of plot exposition and the busiest shoals of plot twists. The use of dialogue to cue in new locations is inspirationally unfussy.

"There's nothing like the great Mayan cities of the Yucatan" busks Miss Ward, and lo! we find we are in the Yucatan; and scarcely have we had time to goggle at the step pyramids before she and Mr Bridges are having it off bronze-bodied in a bandy temple; and scarcely have they begun *that* before the villain's hit-man bursts in, Smith and Wesson rampant, holding the reins of the next plot crescendo. Anyone supposing that they "don't make them like that any more" in Hollywood should see this film and purr. Hackford is one of those raiders of a lost art: the art of breathless movie story-telling.

The Phantom of the Opera/Stratford E15

B. A. Young

Peter Straker and Christine Collier

Ken Hill's version of the old Gaston Leroux classic is a great load of fun. "A night of murder, mystery and song" is how the theatre describes it, and this is almost an understatement. The Phantom (Peter Straker) kills anyone he encounters in his pursuit of the beautiful soprano Christine, who he is determined to hear singing Marguérite in Gounod's Faust; the mystery of his identity is sustained (as if it mattered) for three-quarters of the evening; and the singing is taken seriously. All the music, arranged by Alasdair MacNeill, has operatic origins, even if there's nothing very operatic about the sound of the new libretto.

There are luscious sets, designed by Sarah-Jane McClelland, that include a chandelier which is supernaturally dropped to the stage just when the audience's attention has been cunningly fixed on the rather better chandelier above the stalls, which waves alarmingly in the Phantom's power. The evening is studded with good pantomime jokes, verbal and visual, with a proportion of dud ones included among them.

The singing is taken seriously, and the singers hit a level you would find in a good amateur opera company, rather better in the ease of Christina Collier as Christine. The exception, alas, is Peter Straker, whose voice, nurtured on rock music is quite out of harmony with the others; and, as the Phantom gives him no acting opportunities, he must rate as a casting error. The result of the acting is all right in its pantomime style, with a fine old lady by Toni Palmer.

There is less mystery about the Phantom's identity backstage at the Stratford Theatre Royal. Years ago, Donald Albery lent Joan Littlewood a handsome chandelier, which now hangs over the stalls. After a suitable interval, he asked for it back. "Come and get it," Miss Littlewood told him.

Sounds of Sweden/Wigmore Hall

David Murray

Wednesday's concert in the "Sounds of Sweden" series had the Chilingirian Quartet to introduce music by Wilhelm Stenhammar, a contemporary of Reger, and by the 92-year-old Hilding Rosenberg. They began with Haydn; the jovial G major quartet from op. 77, distinguished here by elegance and a jaunty swing in the first movement, and a broad Adagio. The Menuet and Finale tended toward flurry. But the Swedish quartets had clearly excited the Chilingirian's interest, and they made excellently committed advocates for both.

Stenhammar's Quartet no. 3 was composed at the turn of the century, and Rosenberg's no. 5 (of twelve) in 1949. Both, coincidentally, have aggressive *presto* scherzos, each a bit self-conscious about such untoward violence; both reach automatically for two-violin octaves at passionate climaxes. Their tones of voice are entirely distinct. Stenhammar was a gentle national, loyal to the German tradition—a sort of belated Swedish Smetana; the Third Quartet uses amiable domestic material efficiently, and ventures some harmonic novelties in its fugal Finale. They would have made more effect had the Chilingirian pitch not turned unreliable (as it is prone to do). An appealing piece nonetheless, with enough character to escape blandness.

Rosenberg preceded Stenhammar in the programme, and enjoyed more consistent playing. The manner of his Fifth Quartet is urbane and cosmopolitan, with its Scandinavian traits perceptible only with forewarning. Much of it consists of lively instrumental conversation—obviously very satisfying for the performers—which tosses pungent tune-fragments back and forth inventively and purposefully. The harmony is volatile, by turns spikily chromatic and sweetly transparent; Rosenberg was then on the way towards his twelve-note experiments of the 1950s. Like Stenhammar, he seems no international trail-breaker, but a composer of sufficient canniness and integrity to be rewarding.

U.S. urges end to Euroyen controls

BY JUREK MARTIN IN TOKYO

THE DEBATE between the U.S. and Japan over liberalising the Japanese capital markets appears to have narrowed down to a stark confrontation, with some ideological overtones, on the removal of controls on Euroyen borrowing.

The almost permanent negotiations between Dr Beryl Sprinkel, Treasury Under-secretary, and Mr Tomomitsu Oba, Vice-Minister of Finance, reconvened here yesterday after a session earlier this week in Hawaii.

Both sides are operating under a notional deadline of May 21, when Japan is supposed to present the U.S. with a detailed blueprint of its proposed financial reforms. Substantial differences appear still to remain.

The Japanese feel they have already made major concessions and that, with Euroyen borrowing (overseas issues denominated in the Japanese currency) the U.S. is now demanding the instant application of a free market approach, which is inimical to the official controls with which Japan is comfortable, and to the gradual liberalisation it prefers.

Japan sharply resents the U.S. insistence that Euroyen issues not be subject to a 20 per cent withholding tax, pointing out that the U.S. itself subject Eurodollar issues to such a tax.

It also feels that the U.S. is insufficiently appreciative of the concessions it has already made (on Euroyen bonds, for example, on allowing yen finance in third countries, and on overseas yen lending ceilings).

The Japanese measures to be annouoced later this month may contain more substance than had seemed likely. They may well run to authorising the creation of a fully fledged Treasury Bill market next year and to allowing foreign exchange broking operations along European and American lines, perhaps by as early as the middle of this year.

The U.S. side has also grudgingly accepted the Japanese proposal to allow the Japanese branches of foreign banks to handle Japanese pension funds rather than pushing for its alternative, which envisaged foreign banks and Japanese securities houses jointly doing trust business. The Ministry of Finance insisted that this would contravene banking laws.

Complicating the negotiations for Japan is uncertainty about how far the U.S. intends to apply pressure. Japan is puzzled by the division inside the Reagan Administration over the continuation of curbs on Japanese car exports to the U.S. and may have been further confused this week by the soft line adopted by Mr George Bush, the Vice-President, in his talks here.

Though Mr Bush touched on many issues of trade and financial friction, he did so rather lightly, in sharp contrast to the approach espoused by Mr Sprinkel and Mr Donald Regan, the Treasury Secretary. Mr Bush may have left the Japanese with the impression that the Treasury stance is more tactical than strategic, and can be altered if the White House so determines.

Indian community wants a bigger share of the corporate wealth

Slicing the Malaysian cake

Wong Sulong in Kuala Lumpur reports on the creation of a new investment company to boost Indian holdings

MALAYSIA'S Indian population is becoming increasingly alarmed at the steady erosion of its economic status, as the country's other two groups, the Malays and the Chinese, benefit from the Government's New Economic Policy.

When the policy was launched 13 years ago, the Malays, who are the politically dominant group, owned only 4.3 per cent of the corporate sector (publicly listed companies), the Chinese 31.7 per cent, the Indians 1 per cent and foreigners 63 per cent.

The Government wanted to increase the Malays' stake to at least 30 per cent by 1990, with non-Malay Malaysians owning 40 per cent and foreigners the remaining 30 per cent. By last year, with enormous Government assistance, Malay ownership had risen to 22 per cent of a greatly expanded corporate cake now worth M$65bn (£20bn).

The foreign stake had fallen to just under 30 per cent and the remaining 48 per cent was classified as being held by "other Malaysian residents." The Indians, who form 8.5 per cent of Malaysia's population of 15m and whose share of the wealth has changed little over 20 years, were furious at being lumped together with the aggressive Chinese and the nominee companies under the category of "other Malaysian residents."

Their leader, the blunt-talking, Datuk Samy Vellu, president of the Malaysian Indian Congress and the only Indian Minister, won Government agreement to classify Indian corporate ownership under a distinct category in the next Malaysia plan, starting in 1986.

He feels that the Indian corporate share should reflect the community's population percentage, but to achieve this would require an investment of several billion Malaysian dollars, a near impossible task.

To make a start, however, the Congress is campaigning to collect M$50m to fund an investment company it has set up called Maika Holdings. Each of the Congress's 720 branches is being asked to raise M$50,000 from its members, and 10,000 Indian professionals and businessmen are being urged to invest at least M$1,000 (about £300) each.

Mr Samy Vellu is impressed by the success of a similar company set up by the Malaysian Chinese Association, which together with the Indian Congress and the Malay Umno Party, rules in the Government coalition.

From a start-up fund of M$30m the Chinese company, Multi Purpose Holdings, has grown to be one of the top ten Malaysian corporations within eight years. It now has a paid-up capital of M$380m and net assets exceeding M$2bn.

Maika Holdings is to be headed by Tan Sri Selvarajah, a lawyer and the chairman of UMW, the diversided heavy equipment and car distributor. He is well regarded by Dr Mohamed Mahathir, the Prime Minister, who is sympathetic to the Indian community's complaints.

Maika has singled out several projects for investment. It has been offered a 10 per cent stake in Malaysia's first private television company, recently launched by Fleet Holdings, and may become the third partner with the Malay and Chinese investment companies who have teamed up to develop two townships outside Kuala Lumpur.

Other areas for investment are the plantations, insurance and banking business. Maika is believed to be interested in taking a strategic stake in the United Asian Bank, currently the country's fifth largest bank.

But the Indians have already lost perhaps their best opportunity—to buy into the plantations they had been working on for the past 100 years. Since independence in 1957, British and other foreign owners have steadily put their estates on the market. They have been quickly soapped up, first by the Chinese and later by the Malaysian Government acting on behalf of the Malays.

As late as 1970, rubber estates were selling for a few hundred Malaysian dollars an acre. Now, rubber land costs up to M$5,000 an acre and palm oil land fetches as much as M$10,000. Multi Purpose Holdings, the Chinese group, has built up investments in 94,000 acres of plantations over the past five years.

The economic backwardness of the Indian community has been caused partly by Government neglect, partly by the tendency for the Indians to be squeezed out in any Malay-Chinese deal, and partly by the apathy of the community itself. Malaysian Indians are still divided by caste and region; for example, only a Tamil can hope to lead the Indian Congress.

While increasing numbers of Chinese businesses are abandoning their traditional, family-controlled operations, the Indian businessman has been very much a looer. But the evidence of decline may now mean that his deep distrust of partnerships and limited companies will not be so hard to shift.

FINANCIAL TIMES
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Friday May 11 1984

The scrutiny of taxation

THIS YEAR'S Finance Bill si unusually long and complex. It includes much of what Sir Geoffrey Howe had to drop last year because of the election, and an overhaul of corporation tax. Even so, there are legitimate worries as to whether parliament has the time or expertise to give the Bill the scrutiny it deserves.

Concern is heightened when *ad hoc* amendments are announced t ocorrect for errors or omissions in the Budget. This week, personal pension policies have been selling like hot cakes because of suspicion that the Chancellor is about to restrict their tax concessions—which are now out of line with the treatment of life assurance contracts. And yesterday, a belated relaxation in the proposed taxation of offshore roll-up funds was unveiled: its need was obvious before the publication of the Finance Bill.

Transitional

Is the British technique of grouping together a vast number of tax changes into one enormous bill each year really sensible? When such a bill is prepared at short notice, parliamentary draughtsmen inevitably make errors. This year, for example, the transitional arrangements for the phasing out of capital allowances appear to be defective. Many companies are also worried that the tax havens legislation will have unintended effects: amendments here too are promised. More fundamentally, does the time-honoured passage of the bill—from discussion on the floor of the House and through the standing committee and report stages—really serve much purpose? The real import of many complex clauses inevitably passes over the heads of most MPs.

To be fair, the Government has already taken what may turn out to be the most important step. To help generate informed debate, where possible the Inland Revenue is now instructed to publish draft legislation in advance. Unfortunately, in the one area where this approach has been fully tested — over the controlled foreign companies (CFC) legislation — the result has been scarcely encouraging. Despite three separate drafts (the first as early as 1981) further amendments still seem necessary in this year's finance bill.

This may merely reflect the extremely contentious nature of the measures but the suspicion is that the process of advance consultation is inevitably adversarial: the taxman's initial proposals involve a degree of gamesmanship—they are not necessarily tough to make subsequent grudging "concessions" possible. There is also growing concern, evident with the roll-up funds legislation, where draft clauses were not published until mid-February, that insufficient time for comments is allowed.

In any case, advance publication of draft clauses can never be a full solution since often, where there are revenue implications, prior warning cannot be given. One suggested way of easing pressure is an autumn "technical" Finance Bill. There is no reason why this year's complex CFC legislation, and clauses relating to arcane matters such as deep discount and Eurobonds, could not have been dealt with separately last autumn. Two tax Bills a year would ease pressure on both parliamentary draughtsmen and MPs. But the Government appears against the idea partly because the division between what is politically sensitive and what is merely technical is itself political.

Simplifications

Yet tax legislation does need more expert scrutiny: some changes are needed. Another suggestion is the creation of a new Taxation Select Committee on the grounds that the Treasury and Civil Service Committee tends to concentrate too much on macroeconomics. Such a committee could employ outside experts, cross-examine Revenue officials and generally raise the level of tax debate. The snag is that there may not be enough MPs with the inclination or capacity to man such a committee. Other alternatives are a joint House of Lords/House of Commons committee and, perhaps more realistic, a high-powered sub-committee of the Treasury and Civil Service Committee.

Ultimately, though, the present Finance Bill is indigestible because the British tax system is so illogical and complex. Next week, Mr Peter Rees, the Chief Secretary to the Treasury, is expected to speak of the need for further simplifications. However, short of a root-and-branch reform (perhaps along the lines proposed by the Meade Committee in 1978), the Treasury may find genuine simplification hard to achieve. The immediate task is to improve the Parliamentary machinery for handling tax matters.

Quagmire in Central America

PRESIDENT Reagan has once again produced his apocalyptic vision of the dangers of the current situation in Central America. His televised speech on Wednesday warned the nation that Central America had become "the stage for a bold attempt by the Soviet Union, Cuba and Nicaragua to install Communism by force throughout the hemisphere."

If the level of military and economic assistance to America's allies in the region was not raised significantly, then Communist subversion could reach the United States' southern borders, he warned.

The warning echoes that of the Kissinger Commission earlier and the President is out to cajole Congress into backing the former's proposals of some $8bn in economic assistance over the next five years for U.S. allies in Central America.

As an exercise in domestic politics this latest attempt to overcome congressional objections to growing American involvement in the region could well succeed. With Sr Jose Napoleon Duarte, the most democratically respectable candidate, almost certain victor in the El Salvador presidential elections, the argument for withholding military and economic aid wears thin, at least in the short term.

But as an exercise in international diplomacy the benefits of President Reagan hammering away in this manner are more dubious. His tone towards the Marxist-orientated regime in Nicaragua was implacably hostile, and he made no apology for either the furore over U.S. mining of Nicaraguan ports or for continued covert backing to the rebels seeking to overthrow the Sandinistas.

The emphasis was on confrontation rather than dialogue — throwing the blame on to the Soviet Union and its allies, without acknowledging the extent to which America has itself upped the stakes in the region in the past two years. President Reagan and his supporters believe that, with Sr Duarte as Salvadorean president, it will be easier to pursue the war against the left-wing guerrillas there, and by the same token to tighten the circle around Nicaragua.

Those in favour of this policy must realise that it risks dragging the U.S. further into physical involvement in the Central American quagmire. In El Salvador the military still lack both the men and the equipment to gain the initiative against the left-wing guerrillas. And this is despite escalating U.S. commitments.

In this depressing picture of unresolved conflict in Central America, Sr Duarte in El Salvador does offer just the faintest ray of hope. Elections took place while the four-year-old civil war still raged in all its ferocity. Not all the country could and did vote. But the majority of those who backed Sr Duarte against his rival, Major d'Aubuisson, did so out of a sense of agonised hope that something could be done to stem the cycle of violence.

Zero growth

Sr Duarte's room for manoeuvre is small. He has to placate the military, ward off the pressure from the extreme right which controls the death squads and a good part of the National Assembly, and accommodate U.S. concerns. All this against the background of zero economic growth, high unemployment and some 10,000 casualties a year in the civil war. If Sr Duarte wants to end the civil war and come to terms with the left-wing guerrilla alliance, FDR/FMLN, which he now says he does, then he certainly needs firm backing from the U.S.

The Reagan Administration need not declare its hand immediately but it should preferably view Sr Duarte not just as a new excuse to pursue confrontation, but as a person through whom peace could be pursued.

The risk is that the vicious circle will merely continue. The Salvadorean guerrillas will not negotiate seriously until they see U.S. hostility to both themselves and Nicaragua reduced. The U.S. will not consider negotiations until the rebels in Salvador have been crushed and the Nicaraguan government humiliated.

BANCO AMBROSIANO AFFAIR

The nightmare is almost over

By Alan Friedman in Milan and James Buxton in Rome

Key figures in the drama: Bettino Craxi, the Italian Prime Minister (left) and Archbishop Marcinkus

THE END of the long-running Banco Ambrosiano affair is finally in sight.

After nearly two years of highly complex and delicate negotiations, more than 120 creditor banks are now set to assemble in Geneva on May 24 to sign a $406m overall financial settlement. This settlement, 60 per cent of which will be paid by the Vatican Bank, marks the end of one of the most unusual experiences in banking history.

The Ambrosiano negotiation easily rivals the most difficult Latin American debt talks when it comes to complexity and intrigue. It is all the more remarkable in view of the patience and political skill required to persuade the Vatican to hand over $244m, which may represent a substantial portion of its liquid assets.

This week Ambrosiano creditors have been pondering 161 pages of confidential documents which contain the financial settlement. The despatch of the documents by co-ordinating banks National Westminster and Midland (France) should signal the conclusion of the affair for bankers, but not for the Vatican, which still faces the possibility of prosecution by Italian magistrates.

The story of Banco Ambrosiano from the $1.3bn of missing overseas funds to the mysterious London death in 1982 of Sig Roberto Calvi, its chairman, is well enough known by now. The saga contains all the elements of a good thriller. The freemason associates of Sig Calvi, his shadowy underworld connections and his close relationship with Archbishop Paul Marcinkus, the golfing chairman of the Vatican Bank, are all proof that truth can sometimes be stranger than fiction.

The saga is proof that truth can be stranger than fiction

It ranks almost certainly as Europe's largest and gravest post-war banking scandal. For a time it threw into question the benchmark 1975 Basle agreement on central bank supervision as well as the reputation and standing of Italy in international capital markets.

It caused a crisis in relations between the Holy See and the Italian state. It has led to a major reshuffle of top Vatican administrators by the Pope. And it has also severely damaged the credibility of the Istituto per Le Opere di Religione (IOR), the Vatican Bank.

The operation began when, following the collapse of Banco Ambrosiano in the summer of 1982 and the refusal by the Bank of Italy to accept responsibility for Ambrosiano's overseas debts, the foreign banks stepped in.

The Italian Central Bank's behaviour was regarded as a violation of at least the spirit of the central banks' "gentleman's agreement" on supervisory responsibility, but at least it had the effect of obliging foreign creditors to look very closely at the links between the Vatican and Ambrosiano. It was this, together with Italian Government pressure on the Holy See, which set in train the events leading to the present settlement.

Initially the IOR stuck to its stonewalling and called in three outside experts who decided that Archbishop Marcinkus' organisation was blameless. But in November 1982 the Vatican admitted its connection with Calvi front companies and declared its willingness to co-operate with Italian authorities.

A joint commission of the two states was set up on Christmas Eve that year. From then on Italian central bankers worked in tandem with Government officials who stepped up their efforts to get the Vatican to accept its financial responsibilities.

But it was really the foreign bank creditors, the liquidators of the Milan parent bank and the Touche Ross managers of Banco Ambrosiano Holdings (BAH) in Luxembourg who did the spadework. NatWest and Midland, on behalf of 88 Euromarket institutions which lent $450m to BAH, quickly brought legal actions against Nuovo Banco Ambrosiano, the successor bank, for recovery of the money. The prolonged negotiations eventually brought other banks into the picture, so that the final settlement will include 109 main creditors and 20 to 30 others.

Despite having admitted its involvement in the affair, the Vatican steadfastly refused to offer any payment. The embarrassment for Italian officials continued.

Meanwhile (and in theory quite separately) another negotiation was under way. Since taking office last August, Prime Minister Craxi has been keen to preside over the revision of

It ranks almost certainly as Europe's largest and gravest post-war banking scandal

Mussolini's 1929 Concordat which governed relations between the Vatican and Italy.

Negotiations had been under way for 16 years and were interrupted over the Ambrosiano affair. Sig Craxi wanted an agreement on the 55th anniversary of the 1929 Lateran Pact, while the Vatican wanted to clarify its position, not least of all about Italian taxation of religious properties.

According to several of the key bankers who negotiated the Ambrosiano settlement, senior Craxi Government officials put discreet and behind-the-scenes pressure on the Holy See to force it to make a payment to Ambrosiano creditors. But late last year, with the Vatican still refusing, the pressure mounted.

It was last November that the foreign banks, exasperated at the IOR's attitude, decided to get tough. Lawyers were instructed to draft for potential use the first legal writ ever against the Vatican Bank. The writ, although never served, was a tangible threat, coming just as Italian politicians and go-betweens were also pressing the Vatican.

The Vatican, according to sources inside the Curia, was divided but just before Christmas, it finally signalled to creditor banks and liquidators that it would make a payment.

But the negotiations were by no means at an end. A series of talks continued through January and in early February a draft formula of the settlement was reached at a two-day marathon session amid the comfort of Zurich's luxurious Dolder Grand Hotel.

Here it was agreed that the Vatican Bank would pay around $250m in three instalments, a formula which was subsequently changed when the IOR opted instead to make a lump sum payment on June 30. Instead of spacing the tranches out over 12 months, the IOR got a discount which will be around $6m thus making its settlement cost $244m.

Creditor banks decided the best they could get was an eventual 67.66 per cent of $600m of claims, or some $406m. As one senior banker remarked: "It's not so bad really. I wish I could take that percentage on some of my Brazil and Argentine loans and run."

While the bankers and liquidators were meeting in Zurich, Sig Craxi was holding talks in Rome with Cardinal Agostino Casaroli, the Vatican Secretary of State, on the revision of the Concordat. And a week later, at a meeting in Geneva on February 17 on Ambrosiano, Italian delegates told creditor banks privately that they had to create a public image of success to coincide with the scheduled February 18 initialling of the revised Concordat.

"They were desperate to make an announcement, even if it was only to the Italian Press, because of the timing of the Concordat ceremony. They told us there were domestic political considerations which would have made the Concordat signing awkward without a solid Ambrosiano settlement," explained one banker who attended the Geneva talks.

Legal and technical hitches, including disputes over South American deposits held by two Nuovo Banco Ambrosiano subsidiaries (Credito Varesino, just sold, and Banca Cattolica del Veneto), forced delays. But after further negotiations, mostly with lawyers from the London firm of Wilde Sa Pte, matters were resolved. Last Sunday couriers left London with the confidential settlement package and a request from the steering committee banks to reply by telex by Wednesday, May 16.

By that time the Vatican Bank is expected to have initialled the settlement, which will clear the way for the Geneva signing ceremony on May 24. But other pressures will remain on the Vatican, including the Bank of Italy's desire to place the IOR under its jurisdiction.

The Vatican is understood to have liquidated certain property and stock market portfolio holdings in order to raise cash for its payment. If, as has been suggested, its readily available assets are not much beyond $500m, then the $244m payment must be a very serious financial blow.

The credibility of the IOR is another matter.

While the claims of creditor banks against the IOR will be dropped as a result of its payment and "recognition of moral involvement," Archbishop Marcinkus is still being investigated by Milan magistrates for fraud in the collapse of Ambrosiano. He is also under separate investigation along with two of his associates, including IOR managing director Sig Luigi Mennini concerning possible illegalities in connection with a 1972 loan for L50bn to Banco Ambrosiano's largest single shareholder, ailing Catholic financier Sig Carlo Pesenti.

And only three weeks ago, Milan magistrates informed the IOR that it could have its assets seized if it is proved to be among the parties responsible for the failure of Ambrosiano. This marks the first time the Vatican Bank has been cited as an entire institution.

Senior central bank officials in Rome say they are determined to bring the IOR to heel by forcing it to open a branch on Italian soil. But they are loth to say when this will happen. And Archbishop Marcinkus, although his stature

Pressures still remain on the Vatican despite the settlement

has been diminished by the Pope's recent reshuffle of top Vatican administrators, remains in place.

Italy's credit rating, meanwhile, has survived the tumults of the affair and an informal moratorium (just ended) on lending to Italy by Ambrosiano creditors. Italy has been lucky that the Third World debt crisis has redirected Euromarket liquidity towards quality European borrowers. Its reputation is intact, bolstered by substantial gold and foreign exchange reserves, economic recovery and its ability to borrow (at present) only sparingly on the Euromarket.

As for the Ambrosiano affair, nearly everyone will be more than pleased to see the back of it. "It has been a nightmare," says one banker. "To be frank, I'm sick and tired of it. This has been a step backward to medieval times," adds another.

Men and Matters

Wass fights for freedom

The transformation of Sir Douglas Wass, the former permanent secretary at the Treasury, continues apace.

He came out in favour of greater freedom of information last year in his BBC Reith lectures. Now he is going further with a new explanation of his views.

In an article published today in the Times Education Supplement, he attacks the Freedom of Information Campaign, which has got under way recently, for not being radical enough.

The campaign, he suggests, is "too slavish" to conventional wisdom in being ready to exempt from public access material about defence, internal security, the currency, and Cabinet memoranda.

"I doubt," he writes, "whether the disclosure of information about sterling would ever cause serious injury to the nation."

He now thinks that there should be a statute that establishes the public's right to know. A minister who defied the advice of a statutory audit body to publish would be hauled before a select committee of the House of Commons.

Moreover, Wass has some surprising comments about Sarah Tisdall, the foreign office clerk who leaked papers on cruise missiles to The Guardian. "We must be very careful," he says, "before we denounce such people out of hand.'

Citing the case of the Pentagon Papers in the U.S. he notes: "Dr Ellsberg did not go to prison as did Ms Tisdall. I must be almost alone in the civilised world in invoking the criminal law to stop leaks irrespective of the nature of the injury caused, or the intentions of the leakers."

Like all converts Wass has a lot to live down. He was not the greatest provider of information when he was in office.

On their TOES

The economic summit meeting at Lancaster House, London, next month will have a rival.

The Other Economic Summit—called TOES—is to be held at the same time. And, cheekily, it will be just 300 yards from the main event at the Royal Overseas League, St James's.

While Mrs Thatcher and her guest heads of government will find themselves wrestling with well-known but nonetheless intransigent economic problems, the Other Summit will be a much more jolly affair. There participants will toss around what they call "the new economics."

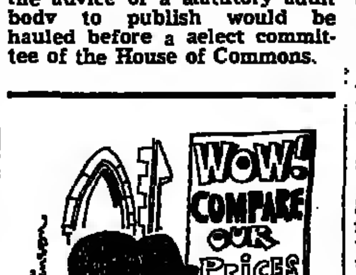
What are the new economics? I asked David Fleming, a London economist and a member of the TOES steering committee.

He drew a deep breath. "It is a fundamental economic re-appraisal, in which many of the most cherished assumptions of conventional economic thought are re-examined—taking a long view of energy and environment issues, as well as thinking again about prospects for employment."

Lots of ecology people, and some purveyors of "alternatives"—a growth industry this—will be there. Proceedings will start with a public rally at Friends House, Euston Road, chaired by Peter Jay.

Fleming confesses he is not optimistic that the TOES economists, who will be winging in from many countries to deliver papers, will agree upon anything other than broad issues.

But, as he says "You've got to remember they *are* economists.



"Just a solicitor jumping the gun—ignore him"

Gyngell's style

There are two distinct views at TV-am about the arrival of their new managing director, Bruce Gyngell, under the sign of the eggcups at Camden Lock.

There is widespread relief that at last the station is going to be run by a TV professional who has had nearly 30 years' experience. But that feeling is matched by trepidation at the sort of judgments Gyngell's professionalism will cause him to arrive at—*particularly on* such touchy matters as costs and staffing levels.

Kerry Packer, the second largest shareholder at TV-am, and a close associate of Gyngell, makes no secret of his relief that the station is expensive and over-manned. Costs, running at £1.5m a month, are still noticeably ahead of earnings in spite of improved audience ratings.

More off-screen blood-letting at the commercial breakfast company cannot be ruled out. But meanwhile Gyngell is showing charm and urbanity. Headquartered comfortably in the Dorchester hotel he is introducing himself to TV station staff and getting to know how the place works.

He has even eaten in the staff canteen—something he liked to do occasionally when he was joint md of Lord Grade's ATV.

Former colleagues at ATV tell of the day he sat down in the Birmingham canteen opposite a rather taciturn working man, deep into his meat and two veg. After twice introducing himself and getting little response Gyngell said "Don't you realise I'm your new managing director?"

"You're wasting your time" said the moody diner "I'm only delivering the oil."

Gyngell had the rare distinction of being the first person ever to appear on Australian TV. He hosted the opening night when the flickering screen came to Australia in 1956. He was also the first chairman of the Australian Broadcasting Tribunal, the regulatory body for *TV* and *radio in Australia.*

That experience of TV politics should stand him in good stead in *his* relationship with the IBA—which wants to see improvements in programme quality at TV-am.

But already, in his first week, Gyngell has had a blow to his plans, totally outside his control.

TV-am was hoping that heavy breakfast time coverage of the Los Angeles Olympics would attract new viewers. Moscow could bang that hope on the head if it sticks to its decision to stay away.

Euro credit

At least one member of the European Parliament is said to be taking European unity so seriously that he is brandishing an "ECU" credit card of his own design by which he proposes to settle accounts in European Currency Units.

His only chance of getting away with that one in London, I would have thought, would be at L'Ecu de France.

Observer

POLITICS TODAY: INTERNATIONALISM

The dimming of the torch

By Malcolm Rutherford

PROFESSOR D. Cameron Watt of London University gave a lecture at the Royal Institute of International Affairs (Chatham House) on Tuesday lunchtime entitled "The decline of internationalism since 1980." Much of the audience seemed surprised, even shocked, by the radical nature of his thesis, though in my view he vastly understated his case.

On Tuesday evening we learned of the Soviet decision not to participate in this year's Olympic Games in Los Angeles—one example of the decline of internationalism in practice.

There are others all over the place: the American threat to withdraw from Unesco, the educational, scientific and cultural wing of the UN, by the end of this year, the collapse of most of the east-west talks on arms control, the virtual disappearance of a north-south dialogue.

When did you last hear a good word spoken for Unctad, the Lome Convention the UN in general or indeed the British Foreign Office? Professor Watt said that if people sneered at women or homosexuals in the way that they now sneer at British diplomats, the Social Democratic Party at least would be proposing a new commission to protect them.

One example of the decline of internationalism is close at home, and topical. It concerns the visit to Britain next month of Mr P. W. Botha, the South African Prime Minister, for talks with Mrs Thatcher. It is being attacked by the left and applauded by the right.

When did you last hear a good word spoken for Unctad?

Thus Mr Neil Kinnock, the leader of the Labour Party, suggested in the House of Commons on Tuesday that Mrs Thatcher is "allowing herself to be used for no other purpose than to support the South African Government's propaganda effort to prop up apartheid in its own country and its aggression against other countries."

And Mr Ian Lloyd, a Tory back-bencher with a South African background, said: "May I congratulate my Right Hon. Friend on her courageous initiative in inviting the Prime Minister of South Africa to Britain?" He went on favourably to compare the recent actions of the South African Government with those of "some of the self-styled colonels, generals and comrades north of the Limpopo."

It is hard to see much difference between those two statements: Mr Kinnock's left-wing isolationism and Mr Lloyd's right-wing aggression. Both are chauvinistic. They have in common a desire for confrontation rather than a search for agreement. National politics have taken over from the attempt to reach international solutions.

I think that it was a tactical mistake on Mrs Thatcher's part to invite Mr Botha. There was no necessity to do so, merely because he was already going to West Germany, Portugal and Switzerland. The invitation was bound to produce extreme reactions, and has already begun to do so from left and right.

There have been enough demonstrations in this country in the past few months for it to be prudent to seek to avoid any more. The women at Greenham Common, the bombs at Harrods, the miners' dispute, the Libyan affair, and the reactions that they have provoked, all add to the impression that we are living in a state of semi-siege. The role of the police, who have to stand in the middle, is totally unenviable.

The invitation to Mr Botha is simply a signal for more of the same. There is too much violence: witness the latest escapades of the British football supporters in Brussels. The time has come to cool it, but the question is how.

It is dangerous to believe that the only way to stand up to violence is to meet it with counter-force. That breeds confrontation, and at a steadily escalating level. It has been happening in Northern Ireland for many years. A better way might be to attempt to remove the causes.

Take Mr Botha's case. There are many reasons why western leaders should want to talk to the South African Prime Minister. For instance, if there is to be a settlement in Namibia, South Africa's position is crucial. It is hard to see how a settlement will be achieved by complete ostracisation.

Bill Thorpe and Gina Hempbill, grandchildren of stars Jim Thorpe and Jesse Owens, with the Olympic torch.

It is equally hard to see why western leaders should not talk to the South African Government when several black African leaders have already done so. The existence of South Africa and its power in the African continent are facts of life.

One accepts that there is some difference between the South African regime, which is based on racialism, and the Soviet regime, which is based on old-fashioned totalitarianism. But, for practical purposes, the distinction is a fairly fine one. It is unreasonable to want talks with Moscow but no dialogue at all with Pretoria. The unreason stems from an inability to see the world as a whole.

Again, take the Olympics. There have been problems ever since the shootings of the students in Mexico in 1968 or, if you like, you can go back to Berlin in 1936 where the Nazis did not like black competitors. One almost dreads their coming round again.

Yet there is a kind of inbred naïveté which makes the problems worse. The Games should never have been allowed to be staged in a super-power because the complications were foreseeable from the start. The solution, if the Games are to continue, is that they should always be held in the same place. For historical reasons, Athens is the obvious candidate if the Greeks could put up with it.

It almost passes imagination that the authorities should have chosen South Korea for 1988. Did it occur to them that it is not a country entirely at peace with its neighbours, that it is prone to violence, and that there are bound to be some states which will refuse to participate?

Does it matter? At least in a symbolic way, the answer is yes. The Games can give lots of innocent pleasure to millions of people around the world. There is nothing else quite like them.

Their breakdown as a wholly international event also symbolises the wider breakdown of international order. It has become the norm for countries to quarrel rather to seek agreement. Even the regional groupings, such as the European Community, find it easier to haggle—often over relatively small sums of money—rather than to make common progress.

It is ironic that this should be happening now. Professor Watt defined internationalism as a "sense of interconnectedness" or an awareness that we are all "living in a common prison." The advance of technology and the vast increase in foreign travel ought to have made this more palpable. So, too, should a greater understanding of the ecology. There are many problems now which are amenable to a national solution, whether they concern pollution, drought or territorial claims.

Yet it would be very hard to argue that in the last few years we have not been going backwards. Possibly the only exception to the rule is the International Monetary Fund, which is now much more engaged in the Third World. But it cannot go it alone, for the economic adjustments that it seeks often have political consequences. It needs more support from the other international institutions.

These are in disarray. President Reagan's administration has challenged not only Unesco, but the whole UN system. It will not adhere to the Law of the Sea, which was one of the few opportunities for an international regime from the start. The habit is catching. When the U.S. challenges the UN, Britain tends to follow.

Ad hoc diplomacy also seems to have broken down. Where are the successors to the four power agreement on Berlin of the early 1970s, not to speak of the old agreements on arms control?

There is another irony. Many of those who confront the old international order, such as it was, claim to speak in the name of realism. Yet it is a strange kind of realism which relies on nationalism. It is, in fact, a retreat into the past, to the days before the UN, or even the League, was invented. And it is happening at a time when the need for a sense of "interconnectedness" should be plainer than ever.

Another economic summit meeting of the world's major industrial democracies is to take place in London next month. It is a mark of how even this relatively new institution has fallen into decline that no great expectations are held of it.

President Reagan is busy seeking re-election. Chancellor Kohl of West Germany is not a patch on his predecessor, Helmut Schmidt. President Mitterrand of France might have more vision, but has his own internal problems. In effect, that leaves Mrs Thatcher, the longest serving leader of the lot apart from M Pierre Trudeau of Canada, who is retiring.

What is required is a reassertion of the need to see the world as a whole and to live together. There are a lot of blemishes, not least apartheid in South Africa and the expansionism of the Soviet Union. But you have to live with the world as it is while seeking to improve it. The biggest blemish of all would be a further lapse into a search for national solutions.

Many who confront the old order claim to speak for realism

Is Mrs Thatcher up to it? Perhaps. But it is a sad commentary on the remaining Western leaders that there are so few other runners. Someone needs again to take up the torch for internationalism, and soon. Otherwise the Olympic Games will not be the only casualty.

Lombard

More speculators needed

By Clive Wolman

SPOT the connection between these symptoms of a major flaw in the UK financial system:

- *Family budgets are regularly disrupted by the unilateral decisions of building societies to change their interest rates.*
- *The fluctuating prices of agricultural produce are cited as a reason for a price support system for farmers which requires large subsidies from the taxpayer.*
- *No private sector worker can relax in the knowledge that the purchasing power of his pension will be secure whatever happens to inflation or the Stock Market.*

In a properly functioning financial system, the building societies, farmers and pension fund managers (or pensioners) would not need to pass on the risks they face either to the Government or to their customers. Instead their risks could be offloaded at minimal cost via futures markets in interest rates, agricultural produce and the stock market index and/or the Retail Price Index—a new contract proposed by Professor Milton Friedman.

At the moment, however, it is doubtful whether there is sufficient liquidity in the markets to allow any more than a small proportion of all the hedging that would be necessary—in other words, there are not enough speculators around to take on the risks offloaded by others.

One reason for this shortage of speculators has been the conservatism of UK financial institutions and their unwillingness to understand the operation of futures markets.

But an equally *important* reason is the punitive taxation of private speculators on the futures markets, which was highlighted last week by the Inland Revenue's failure to clarify the tax treatment of the newly-launched options and futures contracts on the FT-SE 100 index.

Any gains made by the speculator are subject to income tax at his top marginal rate rather than to capital gains tax. And because of the peculiarities of our Victorian tax schedules, any losses he suffers cannot be offset against his other income unless he is a professional trader.

This tax treatment was probably never intended by this or any previous government. It is based on a rather obscure court ruling about cotton brokers 59 years ago. But it means that speculation is taxed more heavily than any other financial service.

This treatment is particularly striking when compared with the tax privileges granted to those who bear another type of risk transferred through the financial system, the Lloyd's insurance underwriters. They are allowed a two-year delay free of interest in paying tax on their profits, the use of special reserve funds as a tax shelter and 50 per cent valuation relief from capital transfer tax.

If, for example, Cadbury-Schweppes orders a shipment of cocoa beans from the Ivory Coast, it is difficult to see why those providing insurance against one type of risk—that of some disaster damaging the shipment—should be encouraged by such generous tax concessions, whilst those providing insurance against another type of risk—that of price fluctuations—should be penalised so heavily.

A final twist of fiscal perversity is added to this fiscal maze by the tax exemption granted to betting profits, again on the basis of case law. Thus even the frequenter of the racecourse—if successful—is given a major fiscal advantage over those who take on risks in a more socially useful way. Commodity speculators have recently latched on to the possibility of dressing up their transactions in the legal form of a bet. If 25 per cent of the £4.1bn gambled last year were diverted to margins on the futures markets, liquidity would be enhanced enormously.

The UK is unique in its discrimination against futures market speculation. The U.S. Congress repealed a transactions tax on futures trading in 1938 to encourage the "*scalpers*," and now even the Far East markets are threatening to overshadow the UK. Singapore, for example, is granting a five-year tax exemption to promote the development of a financial futures exchange.

Letters to the Editor

Dealing with the debt crisis

From Mr P. Provost

Sir, — With due respect to Dr Emminger (May 8) I do not think he accepts the realities of the international debt situation. Many of the borrowers are in reality bankrupt — unable to meet their debts as they fall due. They cannot meet the interest payments whether or not these are "variable" rates, medium-term rates, or whatever.

The problem is that it is inconvenient for the health of the Western world economy that the lending banks recognise this reality. How can this contradiction be reconciled? Only by waiving some or all of the interest payable — a moratorium. The central banks of the Western world, if they wish to preserve the financial status quo, must make this possible by granting interest-free loans to those borrowers they consider worthy — that is those who will ultimately repay the principal amount borrowed.

How to finance these interest-free loans? By requiring all banks who dabble in "Euro" and international business to put up interest-free deposits with their respective central banks as a "liquidity" requirement — say 5 per cent or 10 per cent of gross deposits.

This will have the effect of widening the spread between "borrowing" and "lending" rates by those same banks. In theory it should be the depositors who eventually suffer lower rates—but whoever pays for the wider spread, the burden will be well distributed and enable the Western financial system to carry on despite the reckless lending of past years.

Peter E. Provost,
47, Woodcote Road,
Leigh-on-Sea, Essex.

Private jobs for public servants

From Mr A. Fiander

Sir,—Robin Pauley's Lombard column (April 27) discussing the transfer of senior public employees to the private sector, talked of contractually useful insider information in the context of being privy to the most sensitive and secret affairs of state. This surely is a misrepresentation of the situation, as it is not usually the truly sensitive and secret affairs which are needed by contractors. What is both unnecessarily secret and of commercial value to potential employers of former civil servants, is a better understanding of the government's requirements, as well as more mundane information, such as criteria for contractor selection, the opportunities for future business, and the means of access to decision takers.

While it is necessary to seek to maintain safeguards against corruption of and even undue partiality by civil servants in positions of influence, there is, as Robin Pauley suggests, the question of the national interest in the improved performance both of contractors and government departments. Both these interests might best be served by removing the barriers to the free flow of information and of people (I note the difficulties experienced by the Civil Service in recruiting middle managers into its restrictive environment).

What I would suggest therefore is positive encouragement and assistance to civil servants seeking careers outside the service, coupled with: open and advertised tendering for all government contracts; published criteria for contract awards; and published details of successful contracts.

In the long run the resulting increase in equality of information between purchasers and potential suppliers must operate to serve the purchasers' best interests.

Alan Fiander.
Arthur Young McClelland Moores & Co,
7, Rolls Buildings,
Fetter Lane, EC4.

Personal pensions

From Mr I. Lawson

Sir,—I have read in the national press including in your paper on May 9 that the Treasury may be announcing changes affecting personal pension plans.

I fail to see how any changes on tax-free lump sums can be imposed on the self-employed without the same conditions being applied to members of company pension schemes.

If the Chancellor is upset by increases in pension mortgage business he should also be aware that executives in company pension schemes can frequently have a similar arrangement, i.e., interest-only loan with repayment at retirement age.

More important, one should not forget that usually the interest-only loan is given by a third party after a survey of the property, and at a commercial rate of interest. The individual taxpayer will continue paying premiums to the insurance company, so will be making provision for his retirement. His decision to earmark a large portion of his lump sum to pay off a house loan should not give rise to any more concern than a company chairman's intention to use his commuted sum to buy a holiday flat abroad.

The self-employed are providing for their own retirement out of income taxed at up to 60 per cent. Those members of company pension schemes usually contribute only a small part towards the cost of their pensions, the balance paid by the employer.

I should point out that I am not able to participate in a pension mortgage myself but I do not harbour any jealousy or envy.

Inglis Lawson.
32 Mount Pleasant Road,
Chigwell, Essex.

Self-regulatory agencies

From Miss H. Root

Sir,—As a result of responses he received to his discussion document, Professor Gower allowed in his subsequent review of investor protection for the number of self-regulatory *agencies to* be increased from the four be envisaged originally to a number which should "not exceed about 20, which should not be unmanageable." The Professor sees the cost of the agencies being borne by investors rather than the taxpayer. I have yet to see an estimate of the likely cost, but suspect it would make alarming reading.

In some cases, existing bodies will be adapted to fulfil the new roles and the Stock Exchange is an obvious example. Unfortunately, the Stock Exchange accounts do not break down expenses in a way that one can distinguish the cost of such activities—as the inspectorate which supervises member firms, dealing enquiries, reviews of listing requirements, investigation of clients' complaints, all of which will presumably fall within the remit of the new agencies—from other costs such as the provision of settlement services. One can, however, be reasonably certain that they form a significant part of the item of £18m entitled "services" in the notes to the 1983 accounts and staff costs of £14.9m. Furthermore, if the Professor expects the agencies to maintain compensation funds, he will no doubt bear in mind that the Stock Exchange compensation fund stands at £2m but only as a result of contributions by investors, through member firms over a number of years.

As Professor Gower points out, his review has had to "focus on a rapidly moving object" and, with the divisions between financial institutions breaking down, I hope that the final number of self-regulatory agencies will be much closer to his original figure of four in order not to impose an excessive financial burden on investors. We shall then believe the Professor means what he says in his review "nor do I favour regulating for the sake of regulation."

(Miss) Hilary M. Root.
18, Bywater Street, SW3.

Quantity surveying and excellence

From Mr J. Wright

Sir,—Your review of quantity surveying (April 4) and Mr Honeyman's comments thereon (April 11) have left me confused as to the directions currently chosen by my peers. I have always worked on the assumption that the quantity *surveyor's* loyalty is *primarily* to his or her employer, and to the ethics of professional practice.

The arguments put forward by Mr Honeyman and your article do a great injustice to the many fine quantity surveyors, dare I even say the finest quantity surveyors, who are directly employed by builders and contractors to protect their interests.

The preparation of feasibility studies, cost analyses, contract documents et al on behalf of clients are undoubtedly important to one arm of the profession. Of equal importance is post contract administration undertaken by the contractor's QS. It is after all the contractor's QS whose job it is to help maximise profit, though this is more commonly (and correctly?) termed minimisation of loss.

I would contest the argument that bills of quantity are almost unknown outside the British Isles. I have chosen to work in the Middle East where with the exception of certain forms of contract to be found in Saudi Arabia almost all contracts are let on documents which incorporate bills of quantity.

I grant that some of my peers will find my opinions misplaced and even offensive but there is a growing body of opinion among quantity surveyors in the Middle East that professional quantity surveyors are often misguided and ill informed and that the letters RICS after one's name are not always the guarantee of excellence with which they have become synonymous, and which everyone has the right to expect.

Jeremy Wright.
P.O. Box 36897,
Raas, Kuwait.

FINANCIAL TIMES

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China may build parts for new European Airbus

By David Marsh in Paris

CHINA MAY build parts of the new A-320 Airbus under an industrial collaboration plan put to Peking by Europe's four-nation airliner manufacturing group.

Airbus Industrie, the Toulouse-based consortium which groups the aircraft industries of France, West Germany, the UK and Spain, said yesterday that "exploratory discussions" were taking place with the Chinese about possible production of parts for the 150-seater airliner, which is scheduled to come into operation in 1988.

Airbus denies that it is offering Peking a package deal involving firm Chinese aircraft-buying commitments in return for a share in the workload. But agreement on partial construction – under which the Chinese would probably produce elements such as the aircraft doors – would certainly increase Airbus's chances of winning further orders from China.

The Chinese discussions are part of a series of contacts between Airbus executives and aircraft companies in several countries about possible co-production agreements.

An Airbus team has just returned from a trip to Japan last month to discuss involvement of Japanese companies in A-320 aircraft building. Talks are also going on with Australian industry, while in recent months France has also offered co-production deals to Indonesia and Egypt to try to tempt national airlines into buying aircraft.

Participating governments agreed two months ago financing for the long-planned, narrow-body A-320 project. Five airlines, led by Air France, Air Inter and British Caledonian, have so far signed 51 firm and 45 optional orders to take delivery of the aircraft.

Airbus and Boeing, the world's leading civil aircraft maker, have increasingly in recent years both used co-production agreements with local industries as a key to securing national airline orders in a fiercely competitive market.

Airbus is in contact with China Airlines about expanding further its sales of wide-body A-300 and A-310 airliners to add to the Chinese Airbus fleet.

Competition in the air, Page 2

Mitterrand rounds on Communist hostility

BY PAUL BETTS IN PARIS

PRESIDENT François Mitterrand yesterday spelled out his social democrat project to establish a strong and lasting mixed economy in France.

He also used the occasion of the third anniversary of his presidential election victory to warn the French Communist Party, in a newspaper interview, not to overstep the mark in its increasing and continuing criticism of his economic policies.

President Mitterrand and other leading French Socialists have not hidden their profound irritation at Communist Party's constant sniping campaign against the left-wing coalition Government, in which it is the junior partner with four ministers.

Although the Communists voted for President Mitterrand in a recent confidence debate on Government policies and on the tough steel industry restructuring programme, they have continued to attack the President. Only yesterday, M Philippe Herzog, a member of the Communist Party's political bureau, attacked the Government's tax cut proposals being studied for the 1985 budget as "unjust."

In his interview in the daily newspaper Liberation, President Mitterrand said that if the communists voted with the Government in the confidence debate at the same time as waging hostile campaigns against the Government, they would only discredit themselves. "This position is morally and politically untenable," he said.

But by devoting the major part of his interview to his concept of socialism, involving what he called a political project to create a strong mixed economy system in France, President Mitterrand is bound to increase the current rift between socialists and communists in France.

The French Communist Party has never looked favourably upon a social democrat concept of a mixed economy system or, as the French Socialists like to call it, "a third way" between state intervention and purely a market economy.

President Mitterrand said that the left had established, through the various policies it had adopted since coming to power, "a mixed economy system in which the private and public sectors live together." *Repeating his aim of pursuing* economic policies designed to create greater social justice in France, he again defended his current tough austerity programme, the steel restructuring plan and his broad aim to modernise French industry.

He also claimed that these economic policies were beginning to pay off, with the aim of reducing the gap between France's and West Germany's inflation rate to 2 percentage points. He said the rate of inflation in France had been brought down to 6.5 per cent and the trade deficit cut back: it was expected to total about FFr 25bn ($2.95bn) this year and disappear next year. Industrial investment was also recovering, he said.

Ambrosiano's Banca Cattolica discloses bad debts of $130m

BY ALAN FRIEDMAN IN MILAN

BANCA CATTOLICA del Veneto, the Nuovo Banco Ambrosiano subsidiary which is partly owned by the Vatican bank, yesterday disclosed L221.8bn ($130m) of possible bad debts, representing 61 per cent of the bank's capital of L243bn.

The bank, which is controlled by Nuovo Ambrosiano through its La Centrale financial company, said last night that it was setting aside L25bn in a fund for "special financial burdens." The bank said this provision related to "transactions from the Calvi era," a reference to the late Sig Roberto Calvi. As chairman of the failed Banco Ambrosiano, Sig Calvi used his banks to build up a vast overseas empire of dummy companies which fraudulently bought secret control of the Ambrosiano bank shares.

The Instituto per le Opere di Religione (IOR), the Vatican's bank, directly and indirectly owned 10 of these *dummy companies*.

Banca Cattolica said it had, in addition to its capital, a provisions fund of L123bn. But even if this is added to the capital, the bank's disclosed possible bad debts still represent 61 per cent of the combined amount. A senior director of Banca Cattolica admitted last night that this was "a serious figure" but expressed the hope that as much as 50 per cent of the bad debts might be recoverable in future.

Banca Cattolica del Veneto, which is 6.2 per cent owned by the IOR, gave, along with its virtually unchanged net profit of L51bn, a breakdown of its bad debts in South America and at home. The bank said it saw little prospect of recovering L64bn of deposits in Banco de la Nacion in Peru.

Banco de la Nacion was one of the banks Sig Calvi dealt with extensively in his convoluted share transactions. A further L3.8bn of deposits are in Banco Cafetero in Panama.

The Nuovo Ambrosiano subsidiary, in which La Centrale holds a controlling 37 per cent stake, said its possible bad debts included L154bn of "contentious" loans, many of them to the troubled Rizzoli publishing group, now in court appointed receivership.

A bank director confided that the best hopes of recovering a significant portion of the bad debts lie in La Centrale, which owns 40 per cent of Rizzoli (stemming from the Calvi days) selling its stake.

Besides La Centrale's 37 per cent stake in Cattolica and the IOR's 6.2 per cent stake, Banca Cattolica del Veneto said last night that it actually owns 4.9 per cent of itself.

Banca Cattolica was one of the "plums" inherited by Nuovo Ambrosiano, the successor to Sig Calvi's failed bank. The other, Credito Varesino, was sold last week for $130m in order to help La Centrale wipe out more than L150bn of its own debts stemming from the days when it was controlled by Sig Calvi.

Both Cattolica and Varesino are listed in appendix one of the confidential Banco Ambrosiano settlement documents despatched this week to creditor banks.

● A banker involved in concluding the *Ambrosiano creditors' settlement* said last night that the IOR, which is paying $244m on June 30, was expected to initial the accord today or within the next few days.

Row erupts over P2, Page 2

Shell set to gain control of U.S. subsidiary

By William Hall in New York

THE ROYAL Dutch/Shell group looks likely to win its battle to take full control of its U.S. subsidiary, Shell Oil, following the announcement that it now holds more than 90 per cent of Shell Oil shares after its $58 per share cash tender offer.

SPNV Holdings, a subsidiary of the Royal Dutch/Shell group, announced yesterday that based on a preliminary count at midnight Wednesday, when the tender offer was originally scheduled to expire, about 64.1m shares had been tendered. Subject to a final count, this would result in SPNV having slightly over 90 per cent of Shell Oil shares.

SPNV already holds 214.5m, or 69.4 per cent, of Shell Oil's 309.2m outstanding shares. The news that it now controls over 90 per cent of the shares means that it can push through a "short form merger" and compulsorily buy the rest of the outstanding shares.

However, its ability to complete the deal has been temporarily blocked by a U.S. court ruling that the tender offer must be held in abeyance until Royal Dutch/Shell discloses more information to Shell Oil shareholders and "cures certain deficiencies" in its tender offer.

Earlier this week, a U.S. judge granted a preliminary restraining order against Royal Dutch/Shell after minority shareholders had argued that the $58 per share price being offered for Shell Oil was too low and Royal Dutch/Shell had used coercive tactics to force shareholders to accept.

The court has not yet issued its order and Royal Dutch/Shell has not decided whether it will appeal. The judge's decision requires certain withdrawal rights for shareholders, the precise nature of which will be set forth in the order.

Royal Dutch/Shell stressed again yesterday that it will not increase its $58 per share tender offer price.

The group has extended the offer until 5pm (New York City time) on May 23. It also said yesterday that it will not enter into any privately negotiated transactions to purchase shares at a price higher than $58 per share for at least 18 months.

The European oil giant said that a majority of the shares held in the Shell employee stock fund – more than a quarter of the remaining outstanding shares – had been tendered to date.

SPNV said yesterday that "it is pleased with the number of shares received to date, given the circumstances that have arisen during the course of the offer."

While Wall Street professionals note that Royal Dutch/Shell will have to cross further legal obstacles before it wins full control of Shell Oil, most now feel that it will finally succeed.

THE LEX COLUMN

Double trouble at the Royals

The Bundesbank was busy yesterday taking some profits on a few hundred million of its dollar holdings, apparently with a view to *capping the dollar at DM 2.80*. This took some pressure off sterling and so gave the Bank of England a chance to give some delphic support to the lower 9 per cent version of base rates, with a downward sloping structure of bill-market rates.

While calculated to discourage the clearers from moving still higher, this steer was far from coercive, since interbank rates stubbornly pointed the other way. In at least one place the policy nevertheless went down a treat. Discount houses are delighted to take the Bank's money. The stock market was not convinced, however.

Royal Bank

The Royal Bank of Scotland is the last of the banks to report on the havoc wrought by Mr Lawson, and it conforms glumly to the trend.

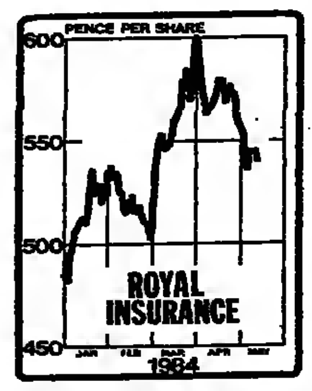
The £90m deferred tax provision identified by the group is only for starters, on top of that comes £30m in associates' tax attributable to Lloyds and Scottish, and an as yet undetermined amount for variation clauses in leasing agreements. Guesses for this last range up to £25m and beyond, but Royal, with native caution, is saying nothing until it has scanned the fine print in its contracts.

At a minimum of perhaps £130m, the write-off swallows a couple of years of retained earnings at a *gulp*. Gruesome though this is, it is pretty well in line with the rest of the banks' and with loans accounting for less than 20 per cent of its capital base, Royal is a good deal better placed than the clearers to make good the damage to its balance sheet without recourse to its shareholders.

Certainly the shares, down only 4p at 224p, are if anything looking to the Lloyds stake rather than a rights issue.

Royal Insurance

Having prepared the ground by warning in its annual report of East Coast tornadoes and storm damage claims, Royal was in a fair position yesterday to shrug off the £20.4m



pre-tax loss it had accumulated in the first quarter. At any rate, the shares were already 10 per cent off their 1984 peak, and fell only 5p to 540p.

Weather claims were by no means the whole of the story, even though this category of loss absorbed £45m in the three months, £28m more than in 1983. In the U.S., where a continuing attempt to raise premium rates has still not driven away quite as many loss-making contracts as Royal might hope, there was also an unexpected deterioration in some quite weather-independent areas of commercial business.

It would be unreasonable, however, to project a similar crop of retrospective adjustments – in workers compensation and liability lines – into the remaining three quarters. And since there are signs that rate increases *may* be emerging *in* the U.S., while the UK business (weather apart) is improving usefully, there could be reasonable chance that Royal will end up somewhere near its 1983 pre-tax total of £98.4m. However, the U.S. tax credits appear to be running out rather fast, so net earnings could still be left adrift.

BOC

It will have been dispiriting for BOC to have an 80 per cent jump in its interim profits, to £85.1m, greeted by a 3p fall in its share price to 288p. On a day when the equity market was already twitchy about events across the Atlantic, however, it did not help to bear the group reserving judgment about its own prospects in the US for 1985.

Certainly, a US downturn would find the group exposed. Graphite electrodes – in which BOC's capital investment has lately been enormous – have their fortunes tied to the U.S. steel industry. And where as U.S. steel production rose steeply in the forst two months of calendar 1984, it appears to have levelled off completely thereafter.

The capital spending phase of the recovery has been a very long time in arriving. It would be too bad if it turned out only to have caught the tail end of the party.

In industrial gases, as in electrodes, the group is now reaping handsome rewards from having been tough-minded enough a couple of years ago to expand capacity when volumes were in decline. At that time, of course, there was already over-capacity in the U.S. gases market – a situation which could recur, and the *switch* into profit in electrodes, though significant in scale, still represents a meagre and vulnerable return on the assets employed.

The remarkable growth of the medical division – a bonus in these figures – could assume more central importance in future.

Debenhams

The high gearing of their profits to sales is a point which has been rubbed in energetically by department stores over the past year. But to translate 11 per cent sales growth into a 70 per cent increase in *trading profits* – as Debenhams has done – clearly indicates that quite a lot has been done to improve the efficiency of the business. In Debenhams' case it also owes quite a lot to the hectic growth of its off-balance sheet credit company, responsible this year for 41 per cent of trading profits.

Of course, bringing Welbeck back into the balance sheet would make the debt bulk rather large, in relation to the equity attributable to pure retailing. But it might all the same help Debenhams to persuade the market that the group should be valued as highly as the parts. Debenhams has some way to go before hitting this target. At 177p, down 8p yesterday, the shares trade on a rather non-committal eight or nine times prospective earnings.

Optimism over talks on Namibia dispute

BY MICHAEL HOLMAN IN LUSAKA AND JIM JONES IN JOHANNESBURG

JOINT South African-Zambian chaired talks on Namibia (South West Africa) open today in Lusaka amid cautious optimism that a breakthrough in the 17-year-old dispute is within reach.

The formal opening of the talks, attended by Mr Sam Nujoma, leader of the South West Africa Peoples Organisation (Swapo) as well as key figures from internal Namibian parties, is due to take place this afternoon.

A critical series of bilateral discussions is already under way involving the participants, Dr Kenneth Kaunda, the Zambian President, and Dr Willie van Niekerk, the South African administrator general of Namibia, who arrived in Lusaka yesterday. The two men will co-chair the talks.

Although a basis for a Namibian settlement already exists under United Nations Security Council resolution 435. Its implementation has been held up by South Africa's precondition, with U.S. backing, that Cuban troops in Angola be withdrawn first.

This remains a serious concern. But African diplomats here say that the first objective of the talks is to persuade Swapo and the internal parties, who have hitherto been seen as part of Pretoria's strategy to bring about a settlement which excludes that organisation, to present a united front.

A hint of South African support for this objective came on Wednesday from Mr Pik Botha, the South African Foreign Minister. He said in Parliament in Cape Town: "If the internal parties and Swapo can come to an agreement, whether the South African Government likes it or not, we are bound by the commitment of prime minister upon prime minister that the people of South West Africa and their leaders will decide their future."

The optimism in part stems from three factors: a recent meeting of the six African front-line states, the impending visit to Europe by Mr P. W. Botha, the South African Prime Minister, and the disengagement of South African troops in southern Angola.

The front-line states met last month and, diplomats here say, endorsed the current initiative, giving President Kaunda the authority to persuade Swapo to negotiate constructively.

Mr Botha is to tour European capitals early next month in the first diplomatic venture of its kind for over 20 years. It would be marred, say Western diplomats, should the Lusaka talks prove fruitless due to South African objections.

A further factor is the success of the current disengagement of South African troops from southern Angola

Row looms over new London SE proposal

BY OUR CITY STAFF

THE LONDON Stock Exchange faces open rebellion by numerous medium and small firms of stockbrokers over its proposals for a radical restructuring of the British securities market.

Up to 15 firms were represented at the offices of stockbrokers Seymour Pierce on Wednesday night, to consider the plans outlined by the stock exchange in a discussion paper last month.

Mr Jeremy Lewis, partner at Seymour Pierce, said yesterday: "All the people that came to the meeting are unhappy about the broad proposals. We have called another meeting for next Wednesday when we will discuss what action should be taken."

Stockbroking firms who had been at the meeting were in fighting mood yesterday. Mr Alfred Harvey of E. J. Collins attacked "this subservience to outsiders" and called upon the Stock Exchange ruling council to think again.

"We as a partnership are not very happy with this situation," he said. "The Council has been bulldozed by the big units. We are just hoping that the council will think again."

"The view is that the measures are being steam-rollered through against the wishes of the membership," said Mr Lewis, at Seymour Pierce.

The stock exchange's discussion paper concluded that the present system of single capacity – which separates the functions of stockjobbing (market making) from that of stockbroking – cannot last once the stock exchange abandons its scales of fixed commissions on securities transactions.

A possible new structure for the stock exchange was outlined in which participants could act as broker-dealers who would carry out business as agents or market makers or act in both capacities

The stock exchange also says that it plans to abandon a rule limiting outside ownership in its securities forms to 29.9 per cent.

Another meeting has been called by Seymour Pierce for next Wednesday and up to *30 firms*, including those that were represented at the last meeting, have indicated that they wish to attend.

The plan of campaign being considered includes:

● making detailed opposition to the proposal in submissions to the stock exchange which must be submitted by the end of this month;

● the possibility of nominating candidates representing the interests at their group in elections next month for places on the council.

● and possible opposition to constitutional changes which may need to be voted on as part of the restructuring of the stock exchange.

Bonn acts to protect D-Mark

Continued from Page 1

centage point. If it had not done so, it believed sterling might have been pushed into an unwelcome sharp slide.

The Bank of England's signal did not, however, stem the continued mood of pessimism in the financial markets.

The price of gilt-edged stock fell by about ⅜ point, the sixth successive fall, which sliced prices back to their lowest levels since September.

Share prices also slid back for the fourth day *running*, with the FT industrial ordinary index down 11.3 points to 884.9. Several City of London analysts believe the market is expecting a further ½ percentage point rise in UK bank base lending rates before long, particularly if U.S. rates remain firm.

However, Mr Nigel Lawson, the UK Chancellor of the Exchequer, said in the *House of Commons* yesterday that there was no reason from recent money supply figures or other indicators for UK lending rates to rise.

However, it is conceded in Whitehall that a rise in U.S. interest rates was necessary and even welcome, to prevent the highly expansionary U.S. fiscal policy from fuelling the fires of future inflation.

Despite sterling's fall against the dollar, the interest rate rise on Wednesday helped it to gain ground against continental European currencies.

The dollar closed in London at *DM 2.7720, up from DM 2.7660* at Wednesday's London close. However, it came very close to the DM 2.80 level when it touched DM 2.797, before central bank intervention pushed the rate down again.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	–	—	—	Dubrovnik	C	18	64	Malaga	C	21	70	Salzburg	R	6	43
Akrotiri	S	23	73	Faro	S	19	66	Malta	S	23	73	Seoul	S	24	75
Algiers	F	18	64	Florence	F	15	59	Manila	C	34	93	Singapore	S	31	88
Amsterdam	C	9	48	Frankfurt	F	12	54	Miami	F	29	84	Stockholm	C	6	43
Athens	F	24	75	Funchal	C	18	64	Milan	F	15	59	Strasbourg	C	13	55
Bahrain	S	32	90	Geneva	S	13	55	Moscow	F	10	50	Sydney	S	18	64
Bangkok	S	35	95	Gibraltar	F	18	64	Munich	R	7	45	Taipei	S	30	86
Barcelona	F	15	59	Guernsey	C	10	50	Nairobi	-	—	—	Tangier	C	19	66
Beirut	S	23	73	Helsinki	Sn	3	37	Naples	R	16	61	Tehran	–	—	—
Belgrade	C	11	52	H. Kong	C	28	82	New Delhi	S	41	106	Tel Aviv	S	25	77
Berlin	F	10	50	Innsbruck	C	9	48	New York	F	15	59	Tenerife	-	—	—
Biarritz	F	13	55	Inverness	C	9	48	Nice	S	17	63	Tokyo	F	25	77
Blackpool	S	10	50	Istanbul	S	24	75	Oporto	S	18	64	Toronto	S	11	52
Bordeaux	S	14	57	Jersey	C	10	50	Oslo	S	9	48	Tunis	C	20	68
Brussels	C	9	48	Jo'burg	F	19	66	Paris	C	12	54	Valencia	-	—	—
Budapest	-	—	—	Las Palmas	S	23	73	Prague	F	15	59	Venice	C	13	55
B. Aires	F	16	61	Lima	S	22	72	Reykjavik	C	9	48	Vienna	R	10	50
Cairo	S	29	84	Lisbon	S	18	64	Rio de J'o	S	34	93	Warsaw	F	12	54
Cape Town	S	19	66	Locarno	C	16	61	Rome	C	17	63	Zurich	C	12	54
Caracas	C	29	84	London	C	10	50								
Casablanca	C	19	66	Los Angeles	S	24	75								
Copenhagen	S	11	52	Luxembourg	C	9	48								
Corfu	S	21	29	Madrid	S	15	59								
Dublin	C	12	54	Majorca	F	20	68								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

CFP returns to profit

BY OUR FINANCIAL STAFF

COMPAGNIE Francaise des Petroles (CFP), the French Total oil group, last night announced a return to profits last year and a FFr 800m share capital increase.

Total turned in net group earnings of FFr 420m ($49.5m) last year, which compares with losses of FFr 1.07bn the year before.

The return to profits reflects the strong performance in the group's production activities and an improvement in its domestic refining and retail operations. However, total said these downstream operations in France had continued to lose money last year, despite the improvement.

Total said the group's board would meet early next month to approve a FFr 800m share capital increase. It said that the Government, which owns 35 per cent of the large oil group, would subscribe to its entire share of the capital increase.

Total's share capital will be raised from FFr 1.375bn to FFr 2.165bn after the new equity issue. Details of the operation were not disclosed last night but are expected to be announced after the Total board meeting on June 6.

The French oil group said its sales last year rose to FFr 139.6bn from FFr 131.7bn in 1982.

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by G.T.S. Damer, Frankfurt/Main, F. Barlow, R.A.F. McClean, M.C. Gorman, D.E.P. Palmer, London, as members of the Board of Directors. Printer: Frankfurter Societäts-Druckerei GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main.

FINANCIAL TIMES SURVEY

Switzerland

Wealthy and successful, the Swiss cling to their way of doing things. But change has not passed them by. Political strains have developed. The high technology challenge needs to be met.

CONTENTS

Calm surface masks change

By W. L. LUETKENS

COUNT the blessings of the Swiss and their proverbial conservatism will not surprise you. The unemployment rate is hovering around 1 per cent. The inflation rate did touch 6.5 per cent in 1981 but has since been halved. Economic growth, admittedly, is generally slow and reversed altogether in 1982 and 1983 when GNP contracted by 1.3 per cent and 0.1 per cent respectively. But this year growth has resumed and in any case Swiss wealth is such that a slight setback is not a hardship.

Going beyond the economic plane, the country is proverbially orderly, beautiful and clean. Though it is home to four language groups—Alemanic, French, Italian and Romantsh (who speak their own tongue descended from Latin)—Switzerland is a peaceful community. The ferment of the Zurich youth riots has died down; it could erupt again but for some time all has been quiet.

On the surface it looks remarkably like the traditional foreigner's image of Switzerland—worthy but a bit stuffy. Worthy it may be but the stuffiness ought not to be taken for granted. The big Swiss towns have art galleries whose wealth of contemporary painting sits ill with the dourly conservative reputation of the country. The banks do not lag far behind as collectors.

On a sunny spring day the public places in the towns are filled with relaxed people, who cannot all be tourists. Not only the young favour informal dress. In Berne you can play chess on the main square using chessmen more than a foot high on chessboards painted onto the pavement. The pavement cafes are crowded. Hoardings and shop fronts are often remarkable for good contemporary design.

Of course there is another side. Hill farmers live an exacting life of modest reward. Foreign labour, though its plight is often exaggerated, frequently has to live under circumstances falling well short of luxury. Yet, all in all, one can understand the resistance to change built into the Swiss political system and behaviour patterns.

But change there is, partly from within, partly under the influence of outside forces. The high technology revolution has caused many Swiss to ask whether other sectors of their industry, principally mechanical engineering, face upheavals as drastic as that which nearly knocked out the potent Swiss watch industry.

The matter is discussed in detail in a special article of this survey. What matters to the Swiss is whether in the electronic and computer age they can successfully continue to do what they have so often done in the past — make highly specialised products having access to world markets and keeping them competitive by putting on ever higher added value. Nobody has the answer, but Swiss industry has a number of trumps up its sleeve.

It is notable that in the economy market forces are widely accepted as the pacemaker for change. Industry is generally suspicious of government intervention and the latter's scope is severely limited. Even in the special case of the watch industry the Government limited itself to providing a modest SwFr 15m to a research and development programme largely financed by the industry itself in order to regain leadership in the age of the quartz time piece.

Warning

Traditional industrial peace remains undisturbed but there was a warning signal last year. Because the engineering employers would not concede a 40-hour week with no loss of weekly earnings the engineering trade union came close to allowing a long-standing no-strike agreement to lapse. In the end a compromise was reached. Hours will be cut from 44 a week by stages and the extra cost will be shared between employers and employees.

Another manifestation of the widespread social consensus in Switzerland — the four-party Government with members from all big parties, including the Socialists—began to look a bit ragged in the winter. The Socialist leaders, who are to the Left of most of their members, threatened to quit when Parliament rejected the Socialist woman candidate for election to the cabinet or Federal Council. Instead the Parliament picked a Socialist of its own choice (meaning the choice of the bourgeois majority), Dr Otto Stich.

The affair ended for the time being when a Socialist party conference disowned its own leadership and decided not to ask Dr Stich and the other Socialists Federal Councillor, M Pierre Aubert, in charge of foreign affairs, to resign from office.

But perhaps rather more significantly, tension between the Socialists and the biggest government party, the Radicals, is persistent. Only the peculiarities of the Swiss system of government (which are explained elsewhere in this survey) have held the four parties of government together.

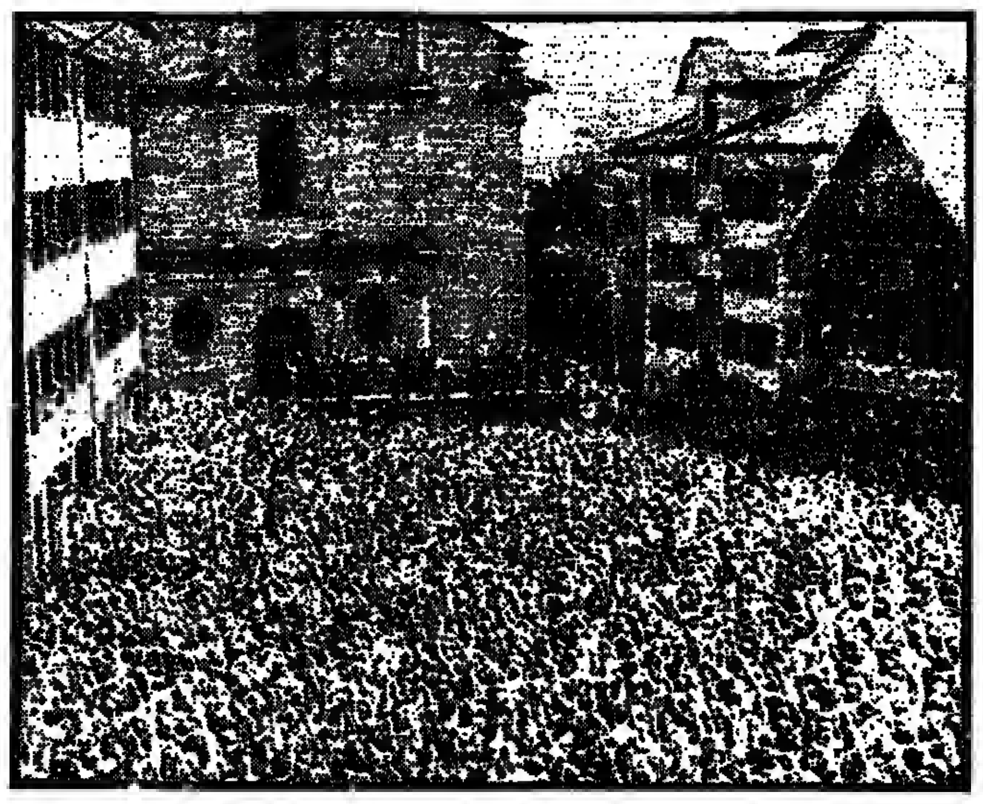
Chief among these peculiarities is the institution of the referendum, which gives the voter not only the last word on who shall run the country but also on how it shall be run.

The knowledge that any law can be overruled by a referendum and that a referendum can foist any law on government and parliament, plus the fact that Ministers are elected by Parliament instead of being chosen by the ruling parties gives Swiss democracy a basis completely different from that of other parliamentary or presidential systems.

In the past this usually worked smoothly without too many upsets. The political elite across the spectrum of the main parties knows how to lead the voters. To take one example: after World War I the Federal Council went onto a strenuous country-wide campaign tour to persuade the isolationist Swiss to vote in favour of the League of Nations.

It is extremely doubtful whether a similar effect today would persuade the voters to approve joining the United Nations. In fact, under pressure from the grass roots even the attitude to the UN of the political classes may be changing.

Until quite recently the view of most politicians, and not least in the Radical Party, was that Switzerland ought to join. But the Radical caucus returned to the Lower House last October has an anti-UN majority. When the question was voted on in the Lower House in March the Left together with the Christian Democrats ensured that Switzerland was spared the embarrassment of a "no."



Four of the Swiss cantons still elect their officers and pass their local laws at an annual assembly of all voters. This spring the men of one—Appenzell Outer-Rhoden—turned down a move to give women the vote at their assembly (above). The reason generally advanced—the town square is too small to accommodate the womenfolk as well as the 15,000 male voters

Referendum

But many hurdles remain to be crossed before the matter can go to a referendum, maybe in 1985 or 1986, maybe even later. In its present mood the people will turn against the UN. Supporters of entry console themselves with the thought that it took several attempts before the electorate, in 1971, approved female suffrage in federal elections.

The UN story so far illustrates the lessening influence that the politically active appear to have over the electorate. There are other signs that this may be happening. In the past the establishment view prevailed in a series of referendums on proposals to run down the number of foreigners in the country—at present about 1m—and to prevent sales of land to foreigners.

That run of failures may end on May 20. On that day a referendum will be held on a proposal by Nationale Aktion, an anti-foreigner party, to forbid sales of residential property to foreigners. It may well be accepted. The issue is one that in the past has aroused popular interest and may bring to the voting booths the silent majority which as a rule abstains. In general the abstainers make it easier for the political elite to have their way.

On the same day the electorate will vote on a Socialist proposal to water down the practice of bank secrecy. The chief innovation would be that the banks would have to give information to investigators of tax evasion and the breach of foreign exchange regulations at home or abroad. The referendum is likely to be lost. But partly to blunt the attack, Swiss practice has been modified noticeably. The details are explained in the banking article of this survey.

Campaigners against the proposal paint the possible consequences of an acceptance in the most lurid of colours. Vast sums of foreign money will depart the country, capital will become short, interest rates will rise. No doubt so revolutionary a change as a severe limitation of bank secrecy will have an impact upon capital markets—and capital flows.

But Switzerland, except at certain times of crisis, is almost certainly a net exporter of capital. The precise position is not known because no capital account of the balance of payments is available. The banks themselves usually pride themselves on pushing out the funds that flow in. Over anything but the short run the effect of the modification of bank secrecy—if modified it should be by the referendum—might be less stringent than the pessimists predict. Capital exports and imports would fail: the net effect would probably be limited.

Capital

Campaigners for the proposal like to argue that the influx of foreign funds into the Swiss banks has been a major factor behind the long-term appreciation of the Swiss franc to the detriment of exporters. Again, if you take certain crisis periods the argument stands up. But in the longer run not capital imports but the excellent anti-inflationary record of the Swiss, compared with that of most other countries, is the real reason why the franc is a very hard currency.

Neither popular attitudes nor those in official circles are likely to allow a relaxation of the anti-inflationary stand. When, in 1978, the franc shot up, the Swiss National Bank bowed to clamour from industry, abandoned monetary targeting for a while and brought the currency down at the price of an inflationary push. The lesson was learned. It would take something drastic indeed for the experiment to be repeated.

SWITZERLAND 2

Strains tell on four party system

Politics

W. L. LUETKENS

THE WORLD has shown more interest in Swiss politics during the past six months than in the previous six years — not to say 60 years. Something must be changing in a normally placid country, even though the directioo of the change has yet to emerge.

To recapitulate the chief events of the recent past. In December the Socialists nominated the first woman ever to run for office in the Swiss cabinet, known as the Federal Council; she was rejected and in the aftermath the Socialist leadership threatened to pull out of the Council in which Socialists have served without interruption since 1960. In February a Socialist party confereoce decided to remain in — yet the leaders remain safe io their party offices.

In March the Lower House of Parliament, the National Council, voted in favour of a motion to apply for membership io the UN. But what may have been more significant is that a majority of the Radical Party, the biggest party in the Government, broke with its past persuasions and voted against applying.

In April the full assembly of voting males of the Caotoo of Appenzell - Outer Rhoden assembled in a town square *before batteries of Swiss and* foreign TV cameras and refused giving the cantonal vote to women. Since 1971 women vote io federal elections but the two Appenzells - Outer aod Inner — will not allow women into their open air assemblies which pass oo cantonal laws and elect the cantonal governments. Lack of space is the excuse generally given. Pure folklore is another. The real reason probably is conservatism greatly magnified by sheer obstinacy.

Motion

On May 20 two nationwide refereodums are sure to attract international attention again. Ooe motioo, sponsored by the Socialists, would abolisb Swiss Bank secrecy io its present stringeot form. The other, sponsored by Nationale Aktion, a party not in the Government, would forbid the sale of residential property to all *foreigners except those resident* io Switzerlaod.

The probablity is that the banking motion will be rejected. The other, demagogically labelled "Motion against selling off the bomeland," may go through; at least politicians in the ooo-Socialist Government parties wbo oppose it are afraid that that migbt bappen.

In the context of the Swiss political process what makes the banking aod bomeland motions so interesting is that the Socialist and Nationale Aktion leaderships have called upon their followers to support both. A populist bridge bas beeo built between the so-called xeoophobes and the Socialists. The three bourgeois government parties denounce this as sheer opportunism oo the Socialist leaders' part. Many Socialist local or regiooal party organisations have refused to accept the recommendatioo of their federal leadership. But nobody doubts that many Socialist voters will back Nationale Aktion.

Not only the hanking and homeland divide the Socialists from the other three traditionat parties of governmeot — the Radicals, the party of business and of Continental style liberalism; the Christian Democrats, who are also business-orientated but with a strong dose of the Catholic-social traditioo and their own trade union body; and the Swiss People's Party, with agrarian and small business roots.

Tbe wedge separatea the Socialists from the others also on issues such as shorter working bours and ouclear pollcy. The Socialists are likely to be the only government party to support a bao on the construction of any more nuctear power stations. That issue will be put to a referendum later this year.

Given such tensions oo so many issues, an outsider is bound to ask wbether the four-party system of government can survive. It would bave collapsed long ago but for the peculiarities of the Swiss system. These peculiarities are above all the frequent referendums aod the so-called system of concordance under wbich a politician, once elected to the Federal Council, is bound by its decisions, not by those of his party.

Tbe need for that loyalty stems oot ooly from tbe rules. It is based very firmly on the fact that Federal Councillors are elected by a meeting of both Houses of Parliameot where no party has a majority. To be returned, a candidate must be acceptable to voters in at least two parties and in practice often two, three or more.

That must make for a consensus and given the political complexion of the country consensus is likely to form around a line a bit to the Right of the centre. The refereodum system streogthens that drift, severely circumscribing the freedom of action of the political classes. If 100,000 signatures can be gathered within 18 months for a proposal such as the banking or *homeland initiatives, it has* to be put to the popular vote. If passed the proposal is enshrined in the constitution. Any change to the constitutioo must also be submitted to a referendum. And any law passed hy the parliament must be submitted to a refereodum if 50,000 voters ask for it withio 90 days. No doubt the voters are boss, provided they wish to make themselves felt.

Concordance aod referendum have held the four-party system together. It is often said in Switzerlaod that every one of the big four parties is government and opposition party at the same time—and that the people is the reat opposition. Since the Socialist leaders' abortive attempt to pull their two Ministers out of the Federal Council, the geoeral view is that the engine wilt keep on running oo its four cylinders, even if it will occasionally misfire.

Stability

A view heard among the Radicals is that not the system but the Socialist Party is in crisis. Quite obviously there are tensions (as in other countries) between the traditionalist trade union rank and file and the new middle classes who are represented in the utopian leadership.

But the Radicals are not inured to change either: the cbange of front of their group in the Natiooal Council on the issue of UN membership is evideoce of that. It was the response to an increasingly isolationist teodency at the grass roots.

Sucb is the stability of the system that it should be able to survive all these stresses. But there is no denying that relations between the Socialists and the Radicals, the two largest parties, are strained. Because of the way the members are selected that oeed not bamper their co-operation in the Federal Council. But some serious observers of the scene believe that the difficulties could spill over from the political field into that of industrial retations.

It is not an acuta danger at the moment, especially since the trade union movement is the bome of moderate Socialists. The all-important engineering union has a no-strike agreement in force since before the war. But a danger signal became visible last year when negotiations for a renewal almost broke down. It may bave been a case of hrinkmanship — but brinkmanship does bave its perils.

PROFILE: OTTO STICH

Parliament's chosen man

Dr Otto Stich—"a question of having powers of persuasion"

FEW CAREERS give a better insight into tha very special nature of Swiss politics than that of Dr Otto Stich, who is in charge of the country's finances.

Dr Stich was elected to the Federal Council, the Swiss Government, last December by a joint session of the two Houses of Parliament. He filled a vacaocy left by the resignation and subsequent death of a fellow-Socialist, Herr Willy Ritschard.

What made the occasion oousual though by no means unique was that Dr Stich was not his party's candidate. The party *had* chosen *Dr Lilian* Uchtanhagen, who failed to get a majority in the Parliament where the Socialists are io a minority. The reasons for her failure were various. The fact that sha would have ended the male monopoly of seats in the Federal Council was one but maybe not the most important.

The majority wanted to make the point that Parliament, oot the Socialist leadership, picks the seven members of tha Federal Council—including the two Socialists who, by tacit agreement, serve oo it. In doing so the majority naturally chose someooe likely to fit io with the consensual Swiss system.

The standard line-up of two Socialists, two Radicals, two Christian Democrats and one member of the conservative Swiss People's Party is more than a coalition government. It is what the Swiss call the democracy of concordance, meaning that all members of the Federal Council—but not their parties are bound by the decisions it takes, if necessary by majority vote of the seven.

Inevitably the system promotes a consensus of the Centre or maybe to the Right of it. It also makes for unparalleled continuity. Though Federal Councillors bave to be re-elected every four years when a new Parliament comes in, it is almost unknown for a Councillor to be refused re-election if he wants it.

Dr Stich's electioo caused an outcry from the Socialist leadership, wbicb threatened to withdraw from tha Government. Actually it had no power to do *so; a withdrawal could only have* been effected by the personal decision of Dr Stich and the other Socialist Federal Councillor, M Piere Aubert. In any case a hurriedly called party conference disavowed the leaders. The traditioo alists and the trade union wing carried the day.

Concordance

What is it like serving in government under sucb circumstances? Dr Stich says since the congress there are no especial difficulties with the party. And will he be able to realise Social Democratic policies? "That is a question of having powers of persuasion." A bead of departmeot is in a strong position when the Federal Council deals with his subject. The other members of the Council know that be will have to make the case for it: "He oeeds to judge whether or not be can carry the Parliament." No one party has a majority there.

The duty to put the case for what the Council decides applies in principle eveo in those cases where doing so would force e Federal Councillor to argue against his own party. Exceptions are made. Dr Stich will oot have to go on TV to argue against the Socialist proposal to limit bank secrecy, which will be put to popular referendum on May 20. But he will have to speak on TV against a proposal to forbid the sale of residential property to foreigners whicb comes up oo the same day. This proposal does not originate with the Socialists but they have giveo it their support.

Dr Stich's first objective is to end the structural deficit of the federal budget, both by pruning expenditure and by improving the flow of reveoue from existing sources. He wants more tax inspectors to belp with the job.

Does he propose to pursue a balanced budget regardless of the cyclical positioo of the ecooomy? In case of a real increase of unemployment something would oeed to be done. But the aim should be to restore a measure of flexibility to the budget to ensure tbat the federal Governmeot is once again io a positioo to tackle urgeot tasks without slipping back into a deficitary pbase."

Unlike his colleagues in some other countries Dr Stich does not inteod to cut welfare benefits. But theo he would be the first to admit that Switzerland is not a fully developed welfare state.

Dr Stich comes from a working class background, linking him firmly to the traditionalist wing of the Social Democratic Party. He studied ecooomics and further qualified himself for his preseot job by gaining managerial experience near the top of the Swiss co-operatives. He has served in the Parliament since 1962.

If his oew job calls for powers of persuasion io a small group, Dr Stich should have a good chance of making himself felt in the Federal Council. He speaks softly, slowly, weighing his words. And if stamina is needed, he seems to bave that too. Besides gardening his relaxation is rambling. How far can be manage in a day at the age of 57? Say 50 kilometres (30 miles).

Orders up but doubts remain

Economy

W. L. LUETKENS

THE SWISS ecooomy is coming out of the doldrums. Though Gross Natiooal Product (GNP) contracted by 0.1-0.2 per ceot last year, the ecooomy returned to a growth path in the last quarter. Growth of between 1.7 per cent and 2.7 per cent is forecast for this year, depending upon whom you believe.

It could hardly be otherwise at a time of improved economic performance around the world, given the extreme dependence of the Swiss market oo developments elsewhere. Exports of goods and services last year accounted for SwFr 72bo (about £23bo) in a GNP of SwFr 212bn.

But scepticism is widespread as to whether world recovery will be sustained. Reflecting the extreme Swiss dislike of even a little inflation, there are fears *that* especially the *American* revival will collapse under a renewed inflationary surge. What optimism there is to be found in Switzerland, therefore, is extremely cautious. Uoder such circumstances the forecast increase of investment in plant and equipment by 3 to 4 per cent in volume this year looks remarkably good.

That is good oews for the engineering industry, whose bealth is probably decisive for that of the economy at large. In the last quarter of 1983, its bome orders, boosted by one of exceptional size, were 21 per ceot above those in October-December 1982. That pace cannot of course be maintained but the worst may be over for this industry. Foreign orders, which account for more than half of its business, wera up more modestly.

It is of some concern to the industry that its export markets are concentrated in the industrialised countries of North America and Western Europe, not io the more rapidly expanding Pacific area.

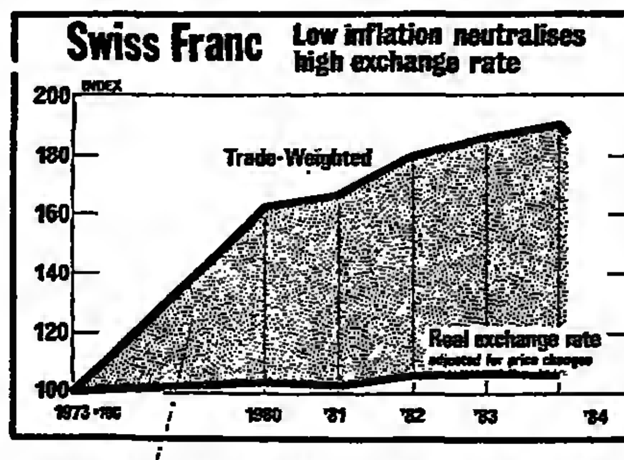
If all this sounds like a collection of fairly moderate prospects to any outside observer, then the judgment might be corrected by a look at other aspects of Swiss performance. The inflation rate (as measured by consumer prices) is expected to remain at 3 per ceot this year, despite having slightly exceeded that mark in the 12-month period to March. And unemployment is below 1 per cent. Eveo in Canton Neuchatel, which has been hard-bit by the structural crisis of the watch industry and which tops the unemployment list, the unemployment ratio has barely crept above 2 per cent.

One reason why over the years Switzerland has kept unemployment down to such minute proportions is that in bad times it could run down the oumber of foreign workers in the country, at present about 750,000. Those days are probably over or almost over.

Engineering

A study prepared by Herr Ralph Lewin, a central bank economist, shows that during the recession of 1981-83, 20,000 foreigners and 20,000 Swiss dropped out of the labour force. Another 25,000 persons became unemployed. But in the previous recession of 1974-75, 245,000 foreigners and only 60,000 Swiss dropped out of the labour force. In the subsequent phase of expansioo the number of foreigners employed rose by 100,000 as against only 5,000 Swiss returning to the labour force.

These patterns make it look doubtful whether the foreign labour force will continue to be as variable in numbers as it once was. Moreover, popular feeling is unlikely to tolerate a renewed influx of foreign labour in boom times. The likelihood is that in a renewed setback Swiss labour will bave to take the brunt of the impact.



The other consistently good area of performance of the Swiss economy, its remarkable resistance to inflation, remains central to the country's policy aod prospects. The Swiss National Bank has relied heavily and so far successfully on monetary targeting to keep the price level under control.

For this year it has announced an unchanged guideline of 3 per cent monetary expansion. It has explained that the use of the word guideline rather than target is oot to be interpreted as a signal of possible laxness. Herr Fritz Leutwiler, president of the National Bank, has ruled out under present circumstances a repetition of the eveots of 1978 when the bank abandoned monetary targeting in order to reverse a strong appreciation of the franc. The reservation he made about prevailing circumstances can of course be construed as an escape clause.

In 1978 the National Bank let it be known that it wanted to ensure that the exchange rate to the Deutsche Mark should be "markedly above" 80 Swiss centimes. It abandoned monetary targets and intervened in the markets, at the cost of an inflationary push. The target of 80 centimes has since been tacitly abandoned; the exchange rate went below it for several months last year. That phase is over but 80 centimes remains a sensitive point. It would be wrong to expect the bank to act at once if that level were to be reached once more. But in case of a renewed and really severe appreciation of the currency, pressure for it to do something will be hard to resist.

Herr Leutwiler told the annual meeting of the central bank that he accepted the consequences of a policy of slow and steady monetary growth in the form of more volatile exchange rates and rates of interest. In practice, however, both have been kept within bounds. The exchange rate, as has been seen, is kept below 80 centimes to the D-mark, though it has been strengthening against some other currencies.

Exchange rate

As regards domestic interest rates, they have moved up slightly this spring under the influence of increased borrowing demand in a phase of economic expansion. The coupon for new domestic boods of first class borrowers was recently raised 4½ to 4¾ per cent—an idyllic state of affairs by comparisoo with that in almost any other country. In spite of the primacy accorded to the monetary targeting, the yield of federal Swiss bonds bas beeo kept within a narrow range of just above 6 per cent down to just above 4 per cent in the 3½ years since the beginning of 1981. That was a period of extreme turbulence oo most other markets.

The steadiness and, more particularly, the low level of Swiss domestic interest rates reflects the fact that inflation is under control. With nominal interest rates of 4.5 per cent and an inflation rate of 3 per ceot, the investor gets a reasonable real return. And the industrialist who gets access to money at such rates has an advantage over his foreign competitors which at least partially makes up for high Swiss wages.

Of course an inflation that is low by world standards tends to force up the exchange rate of the Swiss franc. But over a longer period than the sudden crisis of 1978 that danger should be self correcting. Swiss industry appears to have accepted that. It knows that though the franc may be rising in the long run its prices, expressed in domestic currency, tend to rise more slowly than those of its competitors.

The statistical evidence can be found by looking at the real exchange rate which allows for changes in the nominal exchange rate as well as for relative price movements in other countries. Export-weighted, the Swiss franc has risen by about 90 per cent since 1973; but once price rises in Switzerland and its customer countries are allowed for, the real increase up to the beginning of this year was about 6 per cent.

That is a deterioration which ought to prove manageable. It may even be welcome to policy makers who have generally relied upon the pressures of the market to enforce a rising measure of efficiency upon Swiss industry.

Mild threat to tradition of secrecy

Banking

W. L. LUETKENS

BANKERS IN Switzerland have a good 1983 under their belts and have added a good first quarter this year. The signals remain green until the middle of 1984 at least, though before then a small political account will have to be settled.

On May 20 the Swiss electorate will vote in a referendum on a Socialist motion to reduce severely traditional Swiss banking secrecy. The odds are against the motion going through, so that the country will be spare the dire consequences which, the banks' advocates say, will follow a success for the Socialists. But surprises cannot always be excluded when the Swiss voter goes to the polling stations.

In the meantime business is going well. Rising credit demand boosted the balance sheets of the 71 leading banks by 7 per cent last year to a grand total of SwFr 496bn (about £155bn). By international standards the amount may not be overwhelming but it is more than twice Swiss GDP and if you count in all banks total assets are in excess of three times GDP.

Moreover, these balance sheet figures tell only a fraction of the story. Swiss banks are great administrators of fiduciary accounts which do not show up in the balance sheets. Classic bankers' revenue from about half of gross revenue to somewhere above one third. Commissions, fees, foreign exchange and precious metal deals now produce 42 per cent of gross revenue.

The good performance of 1983 carried on into January-March 1984 and the outlook remains good for the moment. From mid-1984 onward some uncertainties prevail. Swiss banks are allowed to accept and carry out bourse deals on their own behalf and those of clients. Worldwide strong bourses have helped increase income from that source.

If U.S. interest rates begin to rise and cause a setback on Wall Street that may change. Beyond that there lies the danger that economic recovery in Switzerland and the world at large may not be prolonged. That would hit both credit expansion and the good business done lately with the underwriting of foreign, especially Japanese, loans floated in Switzerland.

Market leaders

It is this kind of business that the Swiss banks, or at any rate the bigger among them, owe their leading positions in the world. In overall volume they come well down the field. But they are among the leaders in underwriting, on Euro-markets, in the Eurodollar private placings and with dealings in precious metals. Among the so-called five "Big Banks," 38 per cent of deposits are denominated in foreign currency.

This international activity, and especially its rapid increase in the past 20 years, has not been uncontroversial in Switzerland. The argument was often put forward—and by no means among Socialists only—that the bankers' activities were attracting foreign money in such quantities that the exchange rate of the franc was being driven up to the disadvantage of Swiss industry. The argument is not entirely convincing since Switzerland and is net capital exporter but something of the sort may have occurred for limited periods, especially at times of international crisis.

Fears of the kind described created the atmosphere in which the Social Democratic Party could hope to make some progress with its attack on bank secrecy. It also argued that in its extreme, Swiss form, bank secrecy had made the country a haven for dubious money from abroad, to the detriment of the country's reputation. It is an argument that finds much sympathy in non-Socialist circles, though the blunderbuss method of the referendum is not accepted there. More limited measures—including a greater measure of self-regulation—are preferred.

From an international viewpoint, the key proposal to be voted on on May 20 would oblige Swiss bankers to provide information for foreign states investigating cases of tax evasion and breaches of foreign exchange controls by their own residents. Such cases are largely covered by bank secrecy, which may be waived only where criminal offences are involved. Thus information can be obtained from Berne through treaties of mutual assistance in cases such as that involving the Mafia.

But breaches of other countries' foreign exchange controls do not qualify for such assistance. Nor does tax evasion unless there is an element of the falsification of documents. In Swiss practice a tax return is not considered to be a document, so that simply entering the wrong figures does not justify the revelation of bank information to the investigator—Swiss or foreign.

Those who support or at least sympathise with the Socialist proposals argue that this state of affairs has made Switzerland a haven for money of dubious origin. There is some truth to the allegation, though nobody can give a halfway convincing estimate for the amount of money that may be involved. Estimates vary between SwFr 10bn to SwFr 100bn. The truth of the matter is that nobody knows.

Climate changeable

Assuming that, as seems probable, the referendum does not go the Socialists' way, it will by no means be the end of the story. Under the pressure of the coming referendum and of widespread public questioning of the role of the banks, the regulatory climate has been changing and will continue to do so.

For instance, the banks have voluntarily agreed among themselves to improve the protection afforded to small depositors in the case of bank failures. The Socialist motion would bring in a formal system of deposit insurance.

The banks also have concluded an agreement that they will do all they can to identify clients and the sources of their money and that they will not actively assist tax evasion or the breach of foreign exchange controls. This agreement is backed with the threat of fines on those who break it.

Legislation is under preparation to ban insider dealing in Switzerland, thus making it possible to give assistance to foreign investigators looking into such cases in their own country. In the meantime a special settlement already exists to cover such cases arising in the U.S. Foreign customers at a Swiss bank are apt to be asked to waive their right to secrecy where insider dealing is involved.

Last year all five leading banks increased the ratio of assets to persons employed and it is a trend that they will wish to continue. Dr Rudolf Lienert, a director general of one of the Big Five, Schweizerische Volksbank, says the degree of computerisation achieved by individual banks will determine how they fare in the 1990s. Some of the smaller units are preparing themselves against the danger that they will be left behind by setting up shared computer centres.

Switzerland is unlikely to share the trend in the Anglo-Saxon countries towards the "financial supermarket"—partly because something of the sort already exists. The standard Swiss bank is a universal bank which combines the functions of clearing bank, commercial bank and investment bank with stock exchange dealing and fiduciary business.

The one big missing element is the sale of insurance and Dr Lienert says that is unlikely to become a bank function in Switzerland. But all is not lost; banks may and do hold significant stakes in several leading insurance companies.

Record demand from abroad is proving the outstanding feature in loan markets

Japanese spearhead host of foreign borrowers

Capital markets

JOHN WICKS

FOREIGN borrowers continue to storm the Swiss capital market. In 1983 capital exports subject to National Bank approval jumped to an all-time high of nearly SwFr 40.2bn—despite a fall in the volume of long-term finance credits. Domestic demand was also running at record levels, the total of public and private Swiss issues reaching just over SwFr 17bn, or nearly twice that for 1981. Nor were there any serious lending bottle-necks, with plenty of liquidity about for the long, medium and short-term.

Late last month the National Bank announced a further marked rise in foreign borrowings to a first-quarter total of SwFr 12.8bn. On the bond market foreign interests accounted for over SwFr 3.2bn of the total new money figure of SwFr 5.73bn, while both private placements and bank credits also rose over the previous three-month period.

Banks report continued good business this year so far. While the private placement sector seems to have lost some of its momentum, foreign borrowers' Swiss-franc bond issues and the banks' export credit activities are burgeoning. Inflation is admittedly at its highest point since last spring—but at only 3.4 per cent still means a noticeable real interest rate on most fixed interest investments.

In the field of foreign borrowings the most remarkable development of late has again been the growth of private placements. Last year these medium-term notes reached a total of almost SwFr 20.7bn, of which only SwFr 480m was accounted for by refinancing transactions. This huge business was the result largely of massive Japanee fund-raising, which has continued this year. Just before Easter a list of 24 new private placements with a combined issue value of over SwFr 2bn included 16 Japanese borrowers.

The National Bank states that in the first quarter half of all private placements were accounted for by Japanese borrowers, who are raising money almost exclusively by convertible issues.

A similar, though rather less marked, invasion bas taken place in the public bond sector (1983 volume: SwFr 10.3bn). Japan today accounts for by far the bigest sinle sbare in forein Swiss franc bond floats. This major presence in both long and medium-term borrowing has been directly responsible for the lifting of Swiss-Japanese reciprocity limits on banking operations and has led to a corresponding expansion of Japanese banks and finance companies in Swiss capital market business.

Not that the Japanese have cornered the market. The past weeks have seen a great deal of Canadian business, including e single private placement of SwFr 325m by British Columbia and a mammoth Federal transaction to raise no less than SwFr 200m eight-year bond issue, two private placements maturing at 3½ years (SwFr 200m) and a SwFr 300m bank loan.

Such large individual borrowings on the public bond market have been possible since the start of this year, when the Swiss National Bank increased the maximum issue sum for foreign borrowers from SwFr 100m to SwFr 200m. Another move to liberalise capital exports was made last November, when the National Bank scrapped its own—and controversial—ruling of only two months earlier that foreign export credit agencies should be excluded from raising money on the public Swiss franc bond market.

FOREIGN BORROWING BY CATEGORY
(SwFr m)

	Public issue bonds	Private placements	Finance credits*	Export credits*	Total
1979	5,205.8	10.344.9	9,739.3	1,579.4	26,869.4
1980	5,485.7	8,398.0	7,315.1	2,123.2	23,322.0
1981	7,575.0	11,846.0	9,838.7	2,945.3	32,205.0
1982	9,974.5	17,708.8	8,772.1	1,076.8	37,532.2
1983	10,291.8†	20,684.6	7,644.0	1,560.7	40,181.1

* Including foreign currency credits.
† Including foreign currency and dual currency bonds.

Source: Swiss National Bank

FOREIGN BORROWING BY SOURCE
(SwFr m)

	1979	1980	1981	1982	1983
Industrialised countries	19,892	16,024	22,902	28,050	31,639
Developing countries	2,885	3,430	4,508	3,711	3,450
Planned economy countries: Eastern Europe	1,423	722	1,341	539	435
Others	50	112	102	—	—
Opec countries	706	434	467	127	233
Development organisations: World Bank, ADB, IDB	1,185	1,694	1,993	4,026	3,589
EIB, ESCS, Euratom, Council of Europe Fund	729	907	892	1,099	867
Total	26,869	23,322	32,205	37,532	†40,212

† Provisional.

Source: Swiss National Bank

The character of the Swiss bond market has also been altered by the wave of dual currency issues. In the first quarter of 1984 alone foreign borrowers accounted for an issue value of over $450m in eight to 12-year bonds with purchase price and interest in Swiss francs and redemption in U.S. dollars. Despite continued qualms in some parts of the market these have obviously become an accepted institution.

Hopes rise in restructured sector

Engineering

JOHN WICKS

ENGINEERING, Switzerland's key industry, bas bad a dismal year of it. International recession, the strong Swiss franc and sluggish investment on the home front have combined to present machinery builders with their worst crisis since before the war. Now things are looking rather better at long last. This year sbould see a gradual improvement in orders and employment—and with it a rise in profitability.

Capital goods

The industry has a lot of ground to make up. By last autumn the Swiss Association of Machinery Manufacturers (VSM) was reporting the thinnest order books on record. Work on hand at the plants of 260 member companies was equal to only 5.7 months' production; this compares with 9.8 months' equivalent ten years ago and meant that every major product group had a backlog shorter-than-average throughpnt time. Actual third-quarter ootput on the part of industry was down 27 index points on the corresponding period of 1981.

Business began to pick up towards tha end of last year, even though new order value remained well below corresponding 1982 and 1981 levels. Work on band rose sligbtly, to 5.9 months' production equivalent. While this was still wholly insufficient, the VSM cautiously interpreted the stabilisation as the sign of a "turn for the better" in that the slow world market recovery was beginning to produce rather more demand for Swiss capital goods.

For all that, 1983 will go down in the industry's annals as e singularly unhappy year. This has already been reflected in numerous company reports. Of the big names in Swiss engineering, Sulzer, Oerlikon-Bührle, Georg Fischer and Von Roll all plan to omit a dividend for the year after having booked a loss. By the end of the year—even after the fourth-quarter improvement—orders of the machinery and metals sector were still only 84 per cent those of 1975.

In a country where unemployment is traditionally almost non-existent this bas bad a noticeable effect on jobs. On average the labour forca of companies in the machinery, precision engineering and vehicle building sectors shrank by nearly 5 per cent in 1983 as compared to the previous year and was less than 90 per cent the level in the autumn of recession year 1975. By the end of this February over 4,620 people were registered as jobless in tha "metal prodnction, metal processing and machine-building" product group; this figure seems small in international comparisons but means that the engineering industry bas the highest unemployment rate of any branch of manufacturing.

This spring bas brought with it a continuation of the slow recovery of the winter months. A survey carried oot by Union Bank of Switzerland points to a "clear improvament" in the first quarter on the part of the engineering eector and forecasts further progress in the current second quarter. A similar development is foreseen by a study mede by the Federal Polytecbnic in Zurich. Demand is slowly but surely picking up—helped along by the relative strength of the dollar and the more favourable DM-Swiss franc crossrate.

As yet the crisis-striken macbine tool industry does not seem to be feeling much benefit. But in some other sectors, not least Switzerland's important textile machinery industry, business is definitely looking up. Apart from the backlog demand from export markets, 1984 is expected to see at least some real-terms growth in domestic investment activity, albeit probably by only a modest 1-2 per cent.

Manufacturers are still far from hanging out the flags. After the prodoction index for machinery and precision engineering dropped by 5 per cent in 1982 and again by 4 per cent last year, plants are generally running at well below capacity. A modest upswing would by no means bave a corresponding effect on employment; indeed UBS cleims thet almost ooe-balf of all machinery building and metals companies qnestioned in their survey cut beck the labour force further in the first quarter.

Tbe industry is also waiting until the summer starts to see just how stable the recovery really is. After such a series of disappointments, machine-builders are louching wood all over the place.

In the long run, though, the the industry is showing some tentative optimism. Apart from the fact that buyers are rather less few and far between—as proved at last year's International Textile Machinery Exhibition in Milan—companies are emerging from the crisis leaner and bealthier.

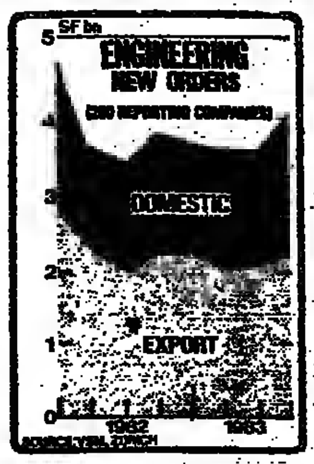
Competitor

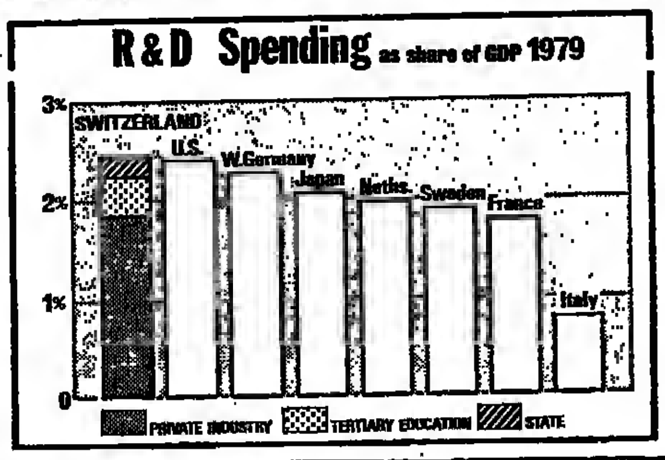
The fact is that many mannfacturing companies had needed restructuring, thougb this was frequently hidden by the decades of—sometimes only ostensible—profitability. Now the industry bas gone to reorganising itself with a will, to take the recent large-scale move to cut back foundry capacities as only one example. As far as their Swiss operations are concerned, most undertakings elready feel convinced that this year will at least prove better than last year.

At the same time a large part of the industry is accounted for by multi-national groups—or at least companies with one or more foreign branch operation. Since recovery should be faster in many of these countries than in Switzerland itself, the internationally active concerns should be benefiting from these outside activities correspondingly.

As always, an important consideration is that of exchange rates. Were the Swiss franc to risc sky-higb again as it did in 1978, the slow recovery nf the capital goods industry could be brought to a stop or reversed. This would obviously result from the loss of competitive ability for Swiss-based production and the loss of earnings from foreign manufacturing subsidiaries. Particulerly important is the relationship of the Swiss franc to the D-mark, as Federal Germany is the biggest trada partner—but also tha biggest competitor—in the machinery sector.

Hardly less important is the question of export aids. Switzerland is at a considerable disadvantage in comparison with many competitor countries which have government schemes to subsidise exports or grant more comprehensive risk guarantees or financing packages. The Swiss ERG export-risk guarantee programme is having to stretch itself to support major projects like the huge Atatürk power-station contract in Turkey, quite apart from the call on the Swiss banks for large-scale financial backing.





Strength lies in special niches

Innovation

W. L. LUETKENS

THE TECHNOLOGICAL excellence of Swiss industry has been put in question by two setbacks in recent years. The idea of developing a Swiss tank for specifically Swiss needs proved far too big a task. And the development of a Swiss digital telephone exchange was abruptly abandoned last year. Instead, foreign developed technologies will be adapted.

Both events can be explained easily enough by reference to the limitations inevitable in a small country. But they do raise the question whether a small country can hope to keep up with the leaders at a time of rapid development of high technologies. For the Swiss there is the warning example of the watch industry which was slow, though in the end maybe not too slow, to adapt to the advent of electronics.

The fect that such questioning should have become necessary must be especially galling to a country whose spending on research and development is remarkably high. With nothing like largely government-induced U.S. space projects, Switzerland spends relatively as much on research and development as does the U.S. In both cases R and D spending accounts for 3.4 per cent of Gross Domestic Product. But the limitations of the small country become apparent from the absolute figures. In 1979, according to an OECD study, the U.S. spent 25 times as much on R and D as the Swiss did.

Characteristically, three-quarters of the money spent in Switzerland was on private industry. Of the rest the lion's share went to universities and other institutions of learning which concentrate upon basic rather than applied research.

Unfortunately the amount of money that the Swiss commit to R and D is no certain guide to the quality of the research—or rather to the direction in which it leads. The point has been repeatedly made in Switzerland itself that Swiss industry is quick to adapt to evolutionary change but may not keep up so readily with technological revolution.

Research

In part that is the result of the structure of Swiss industry. The big international chemical concerns in Basle are in the forefront of chemical research worldwide. The big engineering concerns do have the resources to keep pace with the outside world. But the large group of small enterprises which form the backbone of the Swiss mechanical engineering industry lack the resources and, maybe, the necessary tradition to plunge into the technological revolution.

They have created market niches for themselves by perfecting a specialised product applying basic systems often developed elsewhere. As Prof Wilhelm Hill, of the Institute of Management Studies at Basle University, explains, an ordinary woodworking machine is probably equally well bought elsewhere. But a machine that is to function under difficult conditions, working in awkward corners, could be a Swiss speciality. It is the result of the application of craftsmen's skills of a very high order. But will these skills serve in the age of high technology?

Prof Hill's answer is cautious but not excessively so. "The evidence we have so far does show that a very small country can be competitive despite a high wage level," he says. "It can be so only with specialised products. Whether that state of affairs will continue is a question to which I can only answer: 'I hope so.' The real basis for that hope is that everyone is aware of the need."

On the positive side Prof Hill says that it is not necessary for a country to be in the forefront of every technology. "You do not have to do everything yourself. But you must take care not to become merely a dependant."

This danger may not have been realised early enough both in Swiss industry and in the Government. Data processing and related subjects made a relatively late appearance in the curricula of the otherwise excellent Swiss network of universities and technical academies. The resulting shortage of experts to develop the necessary software is the chief reason for the abandonment of the Swiss digital telephone exchange.

According to Dr Peter Tschopp, a member of top management at the Elektrowatt concern, it will take several years before the inclusion of the new courses in the curricula will be reflected in the quality of the graduates coming on to the job markets.

Like Prof Hill, Dr Tschopp believes the problems to be capable of solution. He sees no great danger from the dependence of Swiss industry upon imports to cover 90 to 95 per cent of its integrated circuits. "The real problem," he says, "is that of intelligent application."

Curriculum

Increasing awareness of the problems has caused a number of steps to be taken besides revising the curriculum. The Government has proposed to make available SwFr 100m (about £32m) to underwrite approved innovation projects in industry. Switzerland being what it is, the proposal has aroused an ideological storm and its future is uncertain. Industrialists fear for their independence and the Parliament has been giving the plan a rough passage. The likelihood is that a much watered down version will eventually go through.

In the private sector the banks have been sponsoring projects to raise venture capital specifically for innovation, thereby following an international trend.

A group of five concerns has founded a joint venture to develop new integrated circuits dedicated to specific industrial needs. The federal Government itself is proposing to take a stake in a similar research organisation already established at Neuchatel. In both cases the intention is to develop but not to produce the chips.

That concentration on developing highly specialised forms of integrated circuit may prove to be a step towards adapting traditional Swiss ways to the new age. After all, as Dr Tschopp points out, Swiss industry was not particularly injured in the past by not being able to mass produce transistors or electronic tubes.

But there are strange twists. A few years ago the Swiss textile industry was thought to be as good as dead in the face of competition from the low-cost countries. Now a Swiss banker tells of an acquaintance in the textile industry who says that there is no better place than Switzerland for making textiles. Why? Economic policy is steady; the regulatory climate friendly; interest rates are low; and the industry is becoming ever less labour-intensive—but also ever more dependent upon the skills that Swiss education and apprenticeship teaches in plenty. It may not be high tech but it does seem to pay.

Three-pronged recovery programme pays off

Watch industry

ANTHONY McDERMOTT

IT MAY be a false dawn but the indications are that the Swiss watch industry, which has been in recession for some years, could be on the way towards a modest recovery.

The Federation de l'Industrie Horlogere Suisse (FH) records that exports during the first three months of this year were up by 11 per cent over tha corresponding period of 1983. The FH also conducted soundings among Swiss exhibitors at the European Watch, Clock and Jewellery Fair beld in Basle last month and for the first time separate from the Swiss Industries Fair. They forecast that, by and large, this trend should hold true for the whole of 1984.

There are inevitably reservations about these projections. The Swiss watch industry, because of its own complacency and forceful foreign competition from the Far East, mainly Japan and Hong Kong, as well as structural and managerial weaknesses, has been going through lean times.

The effects are evident. The workforce has fallen by more than half since 1974—from 76,388 to 32,649 at the end of last year. Ten years ago there were more than 1,000 companies involved; at the end of last year only 678. Production of watches and movements have fallen from 96m units in 1973 to 34.4m last year.

Exports have followed a similar pattern, falling from 81.8m units to 30.2m. Exports, in valne, hit a peak of SwFr 3.9bn (£1.3bn) in 1981 and were worth SwFr 3.4bn last year. Exports for the first three months of 1984 amounted to SwFr 793m bnt were a mere 1 per cent up on 1982 and 8 per cent below the corresponding period for 1981, when they reached SwFr 864m.

The Swiss counter-attack to this decline has been three-pronged. Tha first and most dramatic was the merger last year between Switzerland's two largest watch making concerns —Allgemeine Schweizerische Uhrenindustrie (ASUAG) and Societa Suisse pour l'Industrie Horlogere (SSIH)—creating the world's second largest watcb group after Japan's Seiko. It is to cost a consortium of Swiss banks, led by the Swiss Bank Corporation, some SwFr 650m over three years, of which SwFr 200m is just for writing off losses. Over the next five years, the costs could amount to more than SwFr 1bn.

FH sources suggest that this rescue operation was put forward to the banking community as a patriotic duty rather than a viable commercial task. The aim of the merger was to rationalise the operations of the companies.

The second line of attack was through the cheaper end—up to SwFr 200m of tha market, characterised by the "Swatch," and tha M-watch produced by Mondaine for the Migros (hence the M) retail co-operative. These have been enormously successful both within Switzerland and abroad.

Aggressive

In 1983 the number of watches sold in Switzerland, admittedly a small part of production, rose by 400,000 to 1.8m units, almost entirely due to the Swatch. Daily production of the Swatch is now up to 16,000, aimed mainly at the market of 16-35 year olds. In 1982 1.4m watches were sold in Switzerland, of which 800,000 went to Swiss buyers and the rest to tourists. Increasingly the Swiss are buying cheaper watches. The strategy of the Swatch has been to put the Swiss watch on the market again but more aggressively than before.

Tha third line lies in what, in the end, Switzerland does best—namely the sale of high quality watches. While overall exports of units of movements and watches fell between 1980 and 1983 by just over 40 per cent, those of "precious metal watches"—with cases of gold, silver and platinum—fell by only 20.3 per cent from 579,674 units to 462,046. But by contrast the value of these exports rose from SwFr 956m to SwFr 1.1bn last year.

The importance of this end of the market is illustrated by the figures for the first three months of this year in which tha U.S., which since 1982 has been Switzerland's main market, imported a quantity of watch pieces which fell by 6 per cent in number but by value rose by 19 per cent. This rise is not accounted for by price increases alone.

Over the last four years, exports have gone mainly, apart from tha U.S., to Hong Kong, Italy, West Germany, Saudi Arabia, France, Singapore, Japan, Britain and the United Arab Emirates. In the first three months of this year exports to Sandi Arabia and the UAE were down by 12 and 11 per cent respectively.

Despite the high rescua price, it is clear that the merger has not yet sorted itself out administratively. Last January, for example, Mr Ulrich Spycher, director of the branch dealing with finished prodncts, was forced to resign (one of the aspects of the rationalisation following the merger was the reshaping of the new joint company into three groups dealing respectively with finished watches: watch movements and design: and industrial products). Meanwhile, effectively, under the energetic leadership of Dr Ernst Thomke, rationalisation continues, though both watchmakers and bankers concede that there is still some way to go.

The Swatch and its counterparts have undoubtedly been a success. The producers of the de luxe watcbes still tend to be disparaging about them, implying that they degrade the "Swiss-made" tag. Bnt the sneeess of the energetically advertised Swatch, whila it does not solve any of the fundamental problems of the industry, puts Swiss watches back on the map, gives its industry a psychological boost, encourages better marketing techniqnes—and earns money.

Sophisticated

The sophisticated end of the market continues to prosper, catering for ever more refined taste. These range from the watch for the Moslem market indicating the direction of Mecca for prayers to a Tissot watch for globe-trotters showing the time simultaneously in 24 different time zones—plus a remarkable table clock featuring a full calendar—date, day, week, month, year and moon phases—which does not need to be corrected between now and the year 9999.

Worldwide fame through Swiss army knife

Victorinox

ANTHONY McDERMOTT

A HUNDRED years old this year, the company Victorinox is less well known than its world-famous product the Swiss Army knife. Along with the Swatch wrist watch it is the foreign tourists' favourite buy and memento, easily identifiable by its red handle and Swiss cross.

As it happens, the knifa is not just for tourists. President Reagan has ordered 2,000 with his signature inlaid on the handle. This, incidentally, was balf the order placed by President Johnson. Among other accolades, NASA in 1978 ordered 50 of the Master Craftsman model for tha crew of its Space Shuttle. Garry Powers, the pilot of the U-2 spy plane, had one when he was shot down over the Soviet Union in 1960.

The Victorinox factory is situated at the small village of Ibach on tha door-step of the town of Schwyz, which lies at the heart of the country to which it gave its name.

The name Victorinox emerged in two stages. In 1908, after the death of his mother, the founder, Balz Elsener-Ott, chose her maiden name, Victoria, as the company's trade mark. In 1921, after the first application of stainless steel—"*inoxydable*" in French—to cutlery, the "*Inox*" was added. Today three Elsener brothers, grandsons of the founder, still run this private limited company.

Successful

It is clearly a successful concern, even though Carl Elsener, the chairman, concedes that the going is getting tougher. As be is entitled to be under Swiss law for his type of company, be is coy about figures. But on a turnover of SwFr 210m (£70m) last year be admits to "a good profit." He expects a smaller one this year.

The company, which has 820 employees, is the largest cutlery maker in Europe and is the largest industrial enterprise in the canton of Schwyz. In its field its nearest rival is Wenger of Delemont in Jura, whose workforce is a quarter the size.

Tha product—or rather products, for there are 98 varieties—is a marvel. The basic concept is to create a palm-sized tool box out of what was once just the simple single-bladed penknife.

Thus the range lies between the Champion model, costing SwFr 56—with no fewer than 24 items, including two blades, corkscrew, magnifying glass, fish scaler and wood saw—to the sleek bijou and classic models, with blade, nail file, scissors, tweezers and toothpick. Whether it costs you SwFr 13.5 or 14 depends on whether you have a key ring.

One measure of the company's success is that between 1977 and 1982, it expanded the area of its grey-walled factory from 11,000 to 27,000 sq metres. It is not just the producer of the Swiss Army knife. Daily it produces 15,000 of those but in addition it prodnces 16,000 of domestic and butchers' knives in 400 different styles and sizes and (in 250 variations) 10,000 professional and other knives—a total of 41,000 a day. Eighty per cent of the Army knives are exported (about 2.6m a year). The rest are sold locally.

The main export markets, out of about 100 countries, are the U.S., which takes about a qnarter of output, followed by West Germany, Austria, France, Britain and Canada. Besides the Swiss Army, the armies of the U.S., West Germany and, last year for the first time, the Netherlands order them.

Competition

Carl Elsener forecasts tighter world competition but he is confident that Wenger can be cootained to its current level of 25 per ceot of the Swiss market. The two companies are, in theory, the only ones allowed to carry the Swiss emblem on their red handles. Attempts to halt the confusion between the two bave been made by Victorinox calling its products in an advertisement the "original" Swiss Army knife and Wenger the "genuine."

But abroad, in West Germany, France, Spain, the U.S., Japan and Taiwan, cheaper imitators bava mada inroads which even the superior quality of the original finds difficult to counter.

Moreover, Xaver Ehrler, the export manager, finds it hard to see where exciting new markets are to be found. The East bloc is closed. The developing world finds the prodoct too expensive.

In addition, and without complacency, the company finds it bard to see bow radical improvements can be made or new gadgets added withont making, say, the Champion unwieldy.

Finally, it is a product which because of its durability does not encourage the ownership of more than one at a time ("though we always bope they will lose it," Ehrler jokes).

Victorinox concentrates therefore on keeping its lead by emphasising quality. Sixty people are employed testing every item before it leaves the premises. In addition, to keep its competitors in the dark, considerable investment is made in designing and building the company's own equipment to hide its secrets of how the steel (about 1,500 tonnes a year imported mainly from France) is cut, shaped, sharpened and polished with precision.

Two ironical points remain. First, the name of the knife was invented by the Americans who bought it up in thousands after World War II. In Switzerland it is either known as Offiziersmesser (officer's knife), in German or *couteau suisse* (Swiss knives) in French.

Secondly, although every Swiss soldier receives one — with a silver-coloured handle and four blades — on being recruited, the direct value of the purchases of this admittedly steady customer is slight. The Swiss Army recruits 40,000 men a year. With impeccable neutrality it divides the sales equally between Victorinox and Wenger — providing for the former just over one day's work a year.

Welcome signs of recovery in most sectors

Chemicals

JOHN WICKS

THE SWISS chemical industry had not originally placed any great hopes on 1983. In the previous year turnover had risen by only 2 per cent—or at below the inflation rate—while production volume had actually fallen off by 1.1 per cent. International recession looked like continuing and there was some fear of a downturn in the dollar.

In fact things turned out much better than expected. Production volume rose by some 8.4 per cent—to almost exactly two-and-a-half times the 1965 level—and turnover by an estimated 4.6 per cent. Export value was up by 5.8 per cent to a record SwFr 11.5bn, as compared with an overall rise in Swiss exports of no more than 2 per cent.

According to the Swiss Society of Chemical Industries (SGCI), this development was probably accompanied by a slight improvement in earnings. Annual results for the industry's Big Four—Ciba-Geigy, Sandoz, Hoffmann-La Roche and the Alusuisse subsidiary Lonza—show that at least the major companies have recorded considerably more than just a "slight" improvement. Ciba-Geigy and Sandoz has already announced an increase in dividends as a result.

There are already definite signs that 1984 has started well. Orders, production and turnover all appear to have risen noticeably in the first quarter, while a Union Bank of Switzerland survey says companies are expecting a continued upswing during the second quarter. A Government report recently heralded increased chemical industry investments in Switzerland itself, the extent of new projects notified during the past year under the country's Factory Acts having been double that announced in 1982.

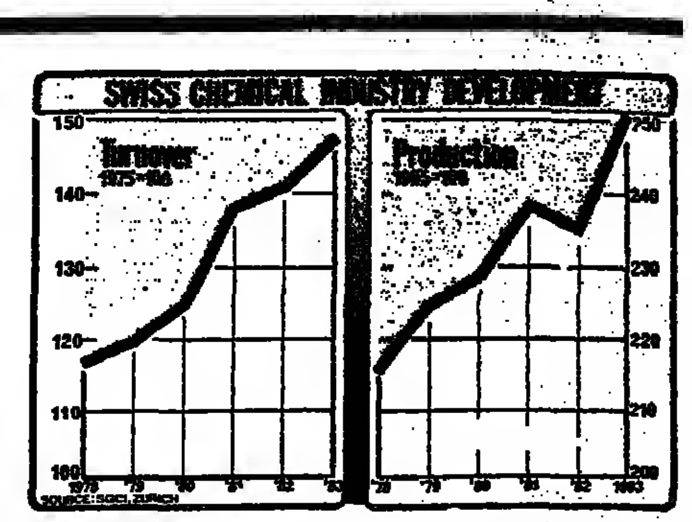
New order volumes had already been rising throughout 1983, with a final-quarter backlog no less than 31 per cent up on that for the corresponding period of the previous year. This development has obviously been continuing.

In the long term the industry will doubtless continue to benefit from its concentration on specialities. Added-value is very much the name of the game with Swiss manufacturers; last year, chemical imports had an average value of only SwFr 2.22 per kilo—and exports one of SwFr 12.68. Swiss chemical groups, including their foreign subsidiaries, are today believed to account for something like 10 per cent of the world pharmaceutical market, 12 per cent in respect of dyestuffs and more like 20 per cent for flavours and fragrances. One or more Basle companies are in the Top Ten lists for pharmaceuticals, vitamins, dyes, agro-chemicals and the flavours and fragrances product group.

Above average

With heavy chemicals largely reduced to the status of commodities, growth in chemical specialities will doubtless continue at well above the average. Recent estimates published by the Swiss economic study group BAK put the annual growth of overall chemical output between 1980 and 1990 at some 3.6 per cent, while Ciba-Geigy's Dr Alexander Krauer looks for an average 5 per cent expansion in the special chemicals and pharmaceuticals sector "over the coming 15 to 20 years."

Given all this, it may seem over-pessimistic when the SGCI claims that the "situation remains 'unstable'" and that there "is no sustained trend towards a substantial improvement." There are, however, a large number of imponderables in the future of the industry—so many indeed, that there has recently been some public discussion as to whether the chemical industry could one day find itself in a crisis similar to that of the once equally reputable watch business.



First, all but a small percentage of the entire Swiss chemical industry's output goes to export markets—even excluding the very large production volumes of actual foreign subsidiaries. This means that business and profits depend to a considerable extent on the vagaries of outside economies.

One example of this is given by exchange rates: had parities remained at 1982 levels last year the rise in the Roche group's turnover would have been 24.2 instead of 5.7 per cent and that of the Sandoz group 20 rather than 8 per cent. In fact, the big concerns with their important dollar business still did better in the currency sector than smaller firms who were more badly hit by the effect of the weak deutschemark on both export and domestic sales.

The continuing strength of the Swiss franc naturally also raises the cost of production and research at the groups' parent company operations. Far-reaching cost-cutting programmes have been the result. Decisions of foreign governments can also have immediate effects on the export-orientated industry. This applies particularly to price ruling in the highly-political field of public health (some 40-45 per cent of total Swiss chemical production is accounted for by pharmaceuticals) or to measures in the control and testing of new products. It can, however, lead to apparently extraneous policy moves abroad having disproportionate results on Switzerland, as with the sharp drop on U.S.-bound agro-chemicals as a result of the Reagan Administration's grants for non-productive farmland.

Nor can the Swiss groups take their comfortable position in the special chemicals/pharmaceuticals field for granted. An increasing number of basic chemical manufacturers has decided in the past few years to expand into the more rewarding speciality sector, while established competitors are doing all they can to launch new and better products.

This being the case, the Swiss are working hard and spending large sums of money to keep up their already high levels of innovation. Just what this can involve is shown by recent estimates that the development costs for a new pharmaceutical are of anything up to SwFr 100m, whereby 8,000-10,000 substances on average have to be examined before the acceptable active agent is found. Furthermore, stringent control procedures mean that it generally takes eight to ten years between the discovery of a new pharmaceutical and its introduction to the market.

Profits squeeze

With some sectors of production calling for the spending of up to 15 per cent of turnover on R & D, there is an obvious squeeze on profits. Since there is little scope in most instances to raise sales prices, the companies have had to look very closely at how to pare expenditure. The Basle concerns have all carried out comprehensive savings programmes over the past three years, not least within the parent companies themselves. By the end of last year, the total manpower of the Swiss-based industry had shrunk to less than 92 per cent of the volume recorded for autumn 1975. At the same time many foreign operations have been the subject of cost-cutting measures or were even sold off.

These often drastic programmes are now paying off—even although 1983's consolidated profits of the big companies as a percentage of turnover are still of only between 4.3 and 5.5 per cent and thus not substantially higher than corresponding results for the previous year.

As yet, the companies are saying very little about their expectations for 1984 as a whole. It is simply too early in the year to guess what is likely to happen to the individual export markets and exchange rates. The SGCI, while expressing "confidence" in the long-term future of the industry, says there will have to be a real improvement in such problems as international indehtedness, currency fluctuations and protectionism to produce any marked up-swing in business.

Fewer visitors but no alarm about future

Tourism

ANTHONY McDERMOTT

IN LINE with world trends and partly also hecause of the strength of the Swiss franc the number of visitors to Switzerland fell last year.

Confident, however, in the somewhat exclusive tradition of well-paying, non-mass tourism the Swiss Tourist Federation concludes in a report that despite 1983's results "in reality, there is not too much to be alarmed about for the year 1984." But the STF does have reservations ahout the decision to impose a fall on Swiss and foreign users of the motorway network.

Net earnings are believed to he barely up on those of last year when tourists in Switzerland spent SwFr 8.1hn (£2.7bn) and the Swiss abroad SwFr 5.8bn, giving a surplus of SwFr 2.3bn.

After the exceptionally good results of 1981 and to a lesser extent 1982 provisional figures from the Government Office of Statistics indicate for 1983 a total drop in the number of nights spent by tourists of 1.8 per cent — 75.15m as opposed to 76.36m in 1982.

Missing neighbours

The most striking feature was the fall in the number of visitors from Switzerland's nearest neighbours. As a result of the currency restrictions, for example, imposed by President Mitterrand shortly before Easter last year, the number of nights spent by French visitors fell by 15.3 per cent from 2.9m to 2.46m. Other tourists from Western Europe, which regularly provides two-fifths of Switzerland's custom, stayed away, in particular the Balgians (tourist nights down by 10.6 per cent), Dutch (down 9.9 per cent), Luxembourgers (down 5.7 per cent) and Austrians (down 3.4 per cent). West Germany held steady to its role as provider of the largest proportion of non-Swiss tourists—32 per cent—but even so its number of tourist nights fell by 1.3 per cent from 15.99m to 15.78m.

A curiosity was the return in large numhers to one of their historically familiar stamping grounds of British visitors, who last year spent 2.2 per ceot more bednights than in 1982.

The strength of the dollar must have been largely responsihle for the notahle rise —13.4 per cent—in the number of nights spent by American visitors—up from 2.31m to 2.62m. Nights spent hy Israeli tourists also rose, from 428,100 to 531,000 or by 24.1 per cent. Confirming a treod of the last few years there was also a marked increased in the nights spent by visitors from the Arab countries and Iran.

The Swiss have always been great tourists within their own country. Over the last ten years, hased on the number of tourist nights, there bas been a gradual increase in the proportion of Swiss travellers, from 39 per cent in 1973 to 41 per cent last year. Last year, however, they seem to be sligbtly less active, clocking up 39.22m nights compared with 39.62m in 1982.

According to the Swiss National Tourist Office Switzerland has 7,500 hotels, motels, boarding houses and bealth spas with a capacity of 280,000 heds. In addition, there are at least 360,000 beds in chalets and holiday flats, 8,000 in youth hostels, 200,000 in other bostels and 260,000 in caravan and camping aites.

Both lodging sectors—hotels and "parahotellerie" (chalets, boliday flats, private rooms, youth hostels and camping grounds)—suffered a drop in tourist nights. The former sustained a loss of 1.1 per cent, from 35.63m to 35.23m and whila the latter maintained its lead over the hotels it lost 2 per cent from 40.72m nights to 39.91m.

To some extent the reason for the fall in night numbers must be attributed to poor snow conditions at the beginning of winter when the newspapers were writing about the "Indian summer" and "green winter," ran pictures of resorts bereft of snow and described the sports equipment makers as being in despair. It was the second warmest Christmas in Switzerland this century, though snow conditions later did pick-up.

Nevertheless, the trend towards more tourism taking place in winter rather than summer has persisted. Ten years ago the wloter season prcvided only 39 per cent of nights spent in hotels. By the winter of 1982/83 this bad risen to 42 per cent.

In the past few months there have been two developments of note which msy have a direct effect on the tourist industry. *The first occurred in December* when Parliament placed increasing restriction on the purchase of property hy foreigners. According to the Tourist Federation the average number of applications granted is running between 2,000 and 2,500 a year. This new law foresees this level being reduced to two-thirds of the annual average of five years hefore the law comes into operation.

On May 20 there could be a risk that this law could be pre-empted if a national "initiative" proposed hy the Right-wing National Action Party, and latterly supported by the Social Democrats, is accepted. This aims at forbidding completely and explicitly the sale of flats and holiday apartments to foreigners.

To some extent the new law falls in line with a growing feeling that in some areas expansion in tourist building had been getting out of control and discouraging visitors.

Property sales

The new law also comes at a time when, hecause of the recession, which has affected the West Germans in *particular*, the market hsd been declining. Between 1961 and 1982 property worth SwFr 16.3bn was sold to foreigners. Of the 66,800 applications made during that period 41,500 came from Germans. Of the total sum, SwFr 11.24bn went on housing and SwFr 2.29bn on commercial premises. The record year was 1981 when sales worth SwFr 2bn were made. The number of applications too reflects tha decline. Between 1979 and 1981 they averaged regularly about 5,900 a year and in 1982 had fallen to 3,094.

Taking advantage of the lower demand the Government is thus determined to tighten up procedures, even though it may not be successful in eliminating the doubtful practice of sales to foreigners through middlemen.

On balance the Tourist Federation takes a fairly relaxed attitude towards the *development of the industry* locally. It acknowledges that the tendency towards a fall in the number of nights spent, dating from the spring of 1982, may be partially attributed to bad weather and the unfortunate timing of holidays (particularly Easter 1983). This winter's season, after a weak start, bas proved successful and Easter this year was late.

From the domestic point of view it takes some comfort from the fact that prices remain steady and that growth in the economy could be on its way. But "by contrast," it warns, "the high level of our franc *makes Switzerland less attractive* as a boliday place in the eyes of most of our foreign visitors. Only American tourists who are able to profit from the strong position of the dollar are not worried. That is why it remains essential for the tourist economy of Switzerland to keep within reasonable limits the expenses of tourists and, above all, to offer to foreigners not only a clean and well-organised country hut also a friendly Switzerland."

SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Friday May 11 1984

GECC to pay $1bn for Texaco reinsurer

By Terry Dodsworth in New York

GENERAL Electric Credit Corporation, the financial services arm of General Electric, is paying $ 1.1bn in cash for Employers Reinsurance, a property and casualty reinsurer which became part of the Texaco group when it took over Getty Oil.

The acquisition marks a major step forward in the development of GECC, which is rapidly diversifying its activities in the financial sector, and was earmarked reinsurance among several potential growth areas.

Texaco had previously indicated that it wanted to divest non-oil interests in Getty, and it is expected that it will use the proceeds of the transaction to pay off some of the debt which it raised for the acquisition.

The price paid by GECC compares with the $370m which Employers Reinsurance cost Getty in July 1980. GECC has also bought the company at a time when the property and casualty sector in General is facing considerable financial problems.

However, employers reinsurance is one of the three largest companies in the U.S. property and casualty reinsurance field, and comes with a strong earnings record. Net profits last year amounted to $71m on total revenues of $787m, of which net written premiums accounted for $639m.

Volkswagen expects to consolidate financial recovery

BY JOHN DAVIES IN WOLFSBURG

VOLKSWAGEN, the West German motor vehicle group, expects to increase its world sales this year and to consolidate its financial recovery in spite of uncertainties at home and abroad.

Dr Carl Hahn, chief executive, said yesterday that the Wolfsburg-based parent company – which made a DM 85m ($30.7) loss last year – should yield a profit, though "still far short of satisfactory."

Worldwide the group lost DM 300m in 1982 and DM 215m last year. As a sign of its recovery, the group made a DM 51m net profit in the first quarter of this year compared with a DM 100m loss a year earlier, while the parent company yielded a DM 46m profit after a DM 3m loss a year ago.

Herr Hahn said that VW and its Audi subsidiary sold 2.1m vehicles last year, slightly below the level of 1982, but expected to lift sales this year despite continuing problems in Latin American markets.

The group sold 750,000 vehicles in the first four months this year, 1 per cent more than in the same period a year ago. Sales in West Germany were 2 per cent ahead at 272,000, while sales in the U.S. from imports and local production were as much as 38 per cent ahead at 90,500.

Herr Hahn said that although economic conditions had improved, times were still difficult. Referring to the threat of strikes in the West German metal industry over demands for a shorter working week, he said that everything which increased labour costs hit competitiveness and employment.

Latin America continued to be a burden last year, with losses in Mexico amounting to DM 267m, in Argentina DM 25m, at VW do Brasil DM 18.7m and at VW Caminhoes, the Brazilian truck operation, DM 83.9m.

On the other hand, the U.S. operations made a turnround of nearly $200m from a hefty loss to a profit last year.

The chief executive believed VW was climbing back in the U.S., with its market share rising lately to 2.4 per cent from 2.1 per cent a year ago.

U.S. sales revenue, which amounted to DM 6.5bn last year, was expected to reach about DM 9bn this year, contributing about 20 per cent of world revenue, he said.

VW increased its worldwide sales revenue *by 7 per cent to DM 40.1bn* last year and expects a 10 per cent rise this year.

Its market share in West Germany edged down slightly to 27.2 per cent in the first three months of this year, but its market share in Europe overall was up marginally at 11.8 per cent.

Herr Hahn brushed aside a question about prospects for payment of a dividend, which VW has omitted for two successive years.

Domestic sales boost Woolworth

By Terry Byland in New York

FURTHER strong progress in domestic sales in the first quarter of the year has brought a powerful upswing in earnings at F.W. Woolworth, and the board is "encouraged" by the prospects for the rest of the fiscal year.

Net earnings increased from $1m or 1 cent a share to $4m or 10 cents a share. Sales at the U.S. Woolworth, Kinney and Richman stores rose 12.4 per cent, following a 9 per cent gain in the final quarter of last year. But with foreign sales unchanged, the overall growth in sales was cut to 7.2 per cent. Mr John Lynn, chairman, commented that foreign sales would have shown a 5.3 per cent gain had the dollar remained at 1983 levels.

Gross margins showed a slight improvement, while selling and general administrative costs were unchanged. The company commented that the improvement reflected *the success of the move* into speciality retailing and the remodelling of variety stores.

The first quarter took in $3m of imputed interest from the reserve for discontinued operations.

AMREP TAKEOVER AWAITS OUTCOME OF RESCUE TALKS

Bouygues plays a waiting game

BY DAVID MARSH IN PARIS

BOUYGUES, France's largest construction group, has entered deeper water than it bargained for in its plan, announced last month, to take over the troubled oil service company Amrep, which specialises in drilling techniques for wells up to 1,000 feet under the sea.

The plan looks likely to be greatly modified, or perhaps abandoned altogether, in the wake of revelations following an Arthur Andersen audit showing that Amrep needs more than FFr 1.5bn ($176.8m) to stave off financial collapse.

Yesterday the Amrep board, including representatives of Bouygues and the state-controlled Paribas and Total groups, was discussing with banks and Finance Ministry officials a possible rescue plan to avoid the company filing for bankruptcy.

"We regret the situation very much," said M Francis Bouygues, chairman and founder. Pointedly putting last month's rescue deal in the past tense, he said: "We were interested in certain assets of Amrep." But added: "We can't put in capital to bail out the losses of others."

M Bouygues is no stranger to high risk ventures. He has built up his construction company into an international group with a turnover of FFr 18.1bn for 1983, which is expected to rise to FFr 22bn this year after diversification efforts.

M Bouygues, 61, has directed his company's expansion by launching first into rapidly growing Third World construction markets, and now by taking over specialist engineering and consultants companies in France and the U.S.

Last year's group net profit was FFr 332m, up 15 per cent on 1982.

But M Bouygues stressed that earnings are "very weak" in relation to the company's turnover – which has now quadrupled since 1979. Additionally, about half last year's net profits was made up of earnings from the group's treasury dealings.

Poor prospects in the construction business both in France and abroad – where Bouygues has been hit over the last year or so by payment problems in such key client countries as Iraq, Nigeria and even Saudi Arabia – made M Bouygues reluctant to give an earnings forecast for 1984.

"We are obliged to be very prudent," he said. "When one is an entrepreneur, it is always necessary to expect the worst."

Bouygues is digging into reserves to the tune of around FFr 500m to buy two specialised French groups, SAUR and ETDE, under a deal announced in March.

But M Bouygues makes clear that, in the present uncertain climate, diversification investments have to be capable of yielding immediate profits. This is why Bouygues is balking at taking over control of Amrep unless the state and nationalised banks contribute sizeable sums of cash. Bouygues' own financial risk from its present involvement with Amrep is negligible.

The main losers, as M Bouygues pointed out, are the small shareholders in Amrep who own a large slice of the 49.9 per cent floating part of Amrep's capital. (The other 50.1 per cent is owned by the Auxirep holding company in which Bouygues has agreed to take a 55 per cent stake).

Amrep shares, which have traded at more than FFr 1,000 in recent years, have been suspended on the bourse at a last quoted price of FFr 161. Unless a rescue plan is put together quickly, they could soon be worth a lot less.

Peugeot to invest FFr 1.2bn in putting shine back on Talbot

BY PAUL BETTS IN PARIS

PEUGEOT, the financially troubled private French car group which recently reported a FFr 2.5bn ($294.8m) loss for 1983, is mounting a major campaign to try to restore a little shine on its tarnished Talbot car image and the Talbot car plant at Poissy outside Paris.

Peugeot is investing FFr 1.2bn to modernise the Poissy plant and enable it to assemble a new medium-sized car model code-named "C-28" to replace the Talbot "Horizon." The new car will also be assembled at Talbot's Ryton plant in the UK, where Peugeot plans to invest about £20m. Although it is expected to carry the Talbot marque, the French group has yet to announce officially the car's name.

The name is likely to depend on Talbot's performance in coming months.

Strikes and riots over Peugeot's plans to cut the Poissy workforce have resulted in a 50 per cent fall in Talbot French registrations during the first quarter. But Peugeot officials claim some small signs of improvement.

M Max Bequeux, manager of the Poissy plant, explained that the company's aim in these visits "is to show that Poissy has returned to normal and does not fear comparisons with other European car plants." But the plant, which now employs 13,300 people and produces 1,050 cars a day, still has 1,000 workers too many. This is because the French Government agreed to let Peugeot reduce the Poissy workforce by a total of 3,125 people, including 1,220 early retirements and 1,905 redundancies. The group had been seeking 2,905 redundancies.

Poissy's main problem is its complex immigrant workforce – a problem shared by all large car plants in Paris. French workers account for 49.9 per cent of the workforce, while Moroccans account for 33 per cent and Algerians 5.8 per cent.

Efforts by Peugeot, Renault and the authorities to try to encourage immigrant workers to take new and more generous repatriation allowances of about FFr 70,000 each have so far failed.

Only about 400 immigrant workers at Poissy are interested in the scheme, according to a plant official.

Posner may top Merrill bid for City Investing

MR Victor Posner, the U.S. financier who owns 8.5 per cent of City Investing, said he may top the $50 a share bid for the diversified New York group made by a group led by Merrill Lynch capital markets, AP-DJ reports from New York.

The Merrill Lynch group, which would make the company private through a leveraged buyout, includes City Investing's chairman and chief executive officer Mr George T. Scharffeoberger and other management members. City Investing's management is expected to remain in place if the buyout is completed.

Mr Posner, City Investing's second-largest shareholder, said he believed Mr Scharffenberger would approve any higher offer he made. Mr Posner is known to be on very good terms with Mr Scharifenberger.

Risk provisions soar but CCF ahead 22%

By Our Paris Staff

CREDIT Commercial de France, the country's 10th largest bank in terms of assets, has announced a 22 per cent increase in 1983 group net profits to FFr 209m ($24.8m), despite a jump in overall provisions on doubtful risks to FFr 690m from FFr 455m.

The results, in line with the generally improving trend of French banking profitability for 1983, were announced along with details of the bank's forthcoming FFr 800m issue of *titres participatifs* (non-voting loan stock) on the Paris Bourse.

The issue, up from the FFr 700m originally planned, will carry a yield moving partly according to the average of French bond market interest rates and partly in line with the bank's group profits.

Last year's improved results were entirely due to better profits at subsidiaries, as parent company net earnings slumped to FFr 57m from FFr 81m. Provisions at the group level were largely concentrated on foreign country and client risks rather than on loans to domestic borrowers.

Rescue plan for U.S. electricity utility

BY OUR NEW YORK STAFF

A RESCUE plan for Public Service New Hampshire, the financially stricken U.S. electricity utility, will be put to its partners in the Seabrook nuclear power station project next week.

Mr Robert Hildreth, managing director of Merrill Lynch capital market's utility group, which has been organising new finance for Seabrook, said yesterday that he was "optimistic" that the new plan would be endorsed. Construction at Seabrook could be resumed as soon as early June, he added.

The basis of Merrill Lynch's proposals is for a $1bn issue of debentures to fund the completion of the first unit at Seabrook. This issue would have to be supported by PS New Hampshire's 15 partners in Seabrook, and would also have to gain regulatory approval.

Mr Hildreth said PS New Hampshire was then expected to receive a new loan of $75m from its banks to tide it over its immediate cash crisis. Without this loan, the utility would be forced to seek bankruptcy, he added.

The second reactor unit at Seabrook has already been abandoned because of the cash crisis which has overtaken PS New Hampshire. But the utility's hopes of survival in its present form depend to a large degree on the successful completion of the first unit. Only at that stage will it be able to recover construction costs through higher electricity tariffs.

If the Merrill Lynch plan is given the go-ahead, the aim is to sell $200m long-term debentures this summer in the first stage of the refinancing. PS New Hamsphire will be expected to pledge some assets to secure the new securities, including its interests in four operating nuclear units valued at around $200m.

Schering starts year with 14% sales gain

By Leslie Colitt in Berlin

SCHERING, the West Berlin-based pharmaceuticals and chemicals company, boosted group sales 14 per cent in the first quarter of this year, exceeding its plan by 8 per cent.

Group sales rose to DM 1.2bn ($434m) of which a record 80 per cent were outside West Germany. Industrial chemicals turnover grew by 25 per cent and pharmaceuticals by 14 per cent.

Dr Klaus Pohle, a spokesman for the executive board, said the outlook for group profits this year is more encouraging than last when Schering group results fell 22 per cent to DM 80m.

This was largely because of Schering's £119m ($163m) takeover last October of Fisons and Boots's FBC agro-chemicals company in the UK. The takeover, he explained, had now been financially absorbed by Schering.

The parent company, Schering AG, last year had its best earnings in a decade, DM 76m. Schering will again pay a 21 per cent dividend, which Dr Pohle said ranked it among the top West German companies.

He noted there was little prospect for ending the drain on the company by its Diamalt AG subsidiary, which lost DM 47m in the past two years.

Petrofina seeks to develop U.S. operations

By Ivo Dawnay in Brussels

PETROFINA, the Belgian oil and chemicals group, is ready to pay up to $1bn for a suitable U.S. oil producer as part of its strategy to develop its American operations.

M Adolphe Demeure de Lespaul, chairman and chief executive, said the company was looking for a partner with proven reserves and would not seek to buy into an integrated producing and refining business. "We have examined several options including one of $300m and one which could cost up to $1bn," he said.

Petrofina is planning to spend BFr 44.5bn ($788m) on investments this year, of which BFr 3bn will be spent in Belgium. Of the total, 56 per cent has been allocated to exploration and production in the North Sea and U.S.

M Demeure said profits had continued to improve this year following a 16.5 per cent advance to BFr 14.1bn last year over 1982.

Dutch engineering group plans full-scale merger

BY WALTER ELLIS IN AMSTERDAM

IHC Inter and Caland Holdings, two large Dutch engineering companies, have announced their intention to merge. It has been provisionally agreed that IHC holders should be entitled to one Caland share for each IHC share held, plus Fl 10 ($3.2) in cash.

The two companies were united until 1978, when IHC Inter took over International Business while Caland kept control of the Dutch market. IHC owns 60 per cent of IHC incorporated in Switzerland, and the other 40 per cent is held by Caland.

Trade unions, the Economics Ministry in The Hague and the Dutch mergers commission have all been informed, but no serious objections to the re-merger are expected.

● VMF-Stork, the Dutch engineering and food processing group, is forecasting a further increase in its earnings following last month's disclosure of a 1983 net result of Fl 10m. It is hoped that a dividend may be possible this year.

Between 1978 and 1980, VMF-Stork incurred losses of Fl 140m and has since been engaged in major restructuring. It now places less emphasis on heavy engineering and more on the supply of light capital goods to a variety of markets.

Orders received during the first three months of this year are worth Fl 602m – nearly Fl 100m up on the same period of 1983.

Mannesmann to cut payout after reverse

By James Buchan in Bonn

MANNESMANN, the West German steel pipe and engineering group, intends cutting its dividend after a sharp drop in sales and earnings last year.

The reduced dividend payment, from DM 6 to DM 4 per nominal DM 50 share, follows a "difficult year" in which parent company profits dipped from DM 195m ($70m) to DM 108m. Worldwide group sales revenue was down 12 per cent to DM 14.1bn, excluding intra-group transactions.

Despite a modest fourth-quarter recovery which has continued into the new year, 1983 was marked by difficulties in Mannesmann's traditional sectors, above all steel pipes and its heavy engineering subsidiary, Demag, and at its Brazilian operation. Pipe production was down 7 per cent, but sales revenues fell even further in this sector, indicating that heavy price-cutting was forcing the company to sell under cost.

Workers block Pan Am move

BY OUR PARIS STAFF

PAN AMERICAN World Airways, the U.S. international airline, has been forced to reconvene its annual meeting after worker shareholders blocked a management proposal to set up a holding company.

At a contentious 5½-hour meeting, the management plan failed to win the required two-thirds majority it needed of Pan Am's 103m shares. Votes for about 50 per cent of the shares were cot cast.

Earnings nearly halved at biggest bank in the UAE

BY KATHY EVANS IN DUBAI

THE UAE's largest baok, the majority state-owned National Bank of Abu Dhabi, bad a near 50 per cent drop in profits last yeer, and experienced a slight shrinking of its balance sbeet.

Banks in the Emirates bave hed a difficult year in 1983, largely because of the Federation's declared policy of trimming expenditure. Many local companies bave outstanding bills with Government departments and ministries, and the burden has fallen largely on the local banking sector. Most banks bave had to increase their provisions against had debt as a result, and this is believed to be responsible for the National Bank's precipitous drop in net profit.

Net profits of the bank showed e decline from Dh 198m ($53m) to Dh 104m, wbile the proposed dividend went from Db 105m to Dh 64m. At the annual general meeting an 9 per cent dividend on capital was proposed, and the hanks share capital was increased hy a one-for-10 bonus issue totalling Db 90m to reacb Db 880m. Reserves were Db 936m.

Mr Jawad Salem, the vice-cbeirman of the bank told sharebolders that the results bad been affected by the Emirates drop in oil exports, and the greater compeiition from the smaller banks in the country which were offering premium rates for interbank deposits. "However, a large majority of our customers bave weathered the difficult economic environment and we expect a more settled climete in 1984," he said.

The bank's overall balance sheet, fell from Dh 23.4ho in 1982, to Dh 22.7bn. On the assets side, casb balances with banks rose from Dh 8.5bn to Dh 9.26bn, while deposits with banks fell from Dh 7.06bn to Dh 5.12hn. Advances went up by 12 per cent in the year, to reach Db 6.79bn, with the largest percentsge increase being recorded hy the bank's subsidiary in Washington, the Abu Dhabi International Bank. On the liabilities side, customers' deposits fell from Dh 15.68bn to Db 13.37bn.

Holmes à Court sees Jabiru bonanza

By Michael Thompson-Noel in Sydney

THE SCALE of the cash bonanza expected from the Jabiru oil find in the Timor Sea, off nertbern Australia, was indicated yesterday by Mr Robert Holmes à Court, chairman of Weeks Australia, which has a 10.3125 per cent interest in the field.

The company's income from Jabiru was likely to be about A$28m (US$25.2m) a year when Jabiru was in full production, he told the annual meeting.

Full production is expected tn start in January 1986, at an estimated 80,000 barrels of oil a day.

Weeks Australia is a 51.3 per cent owned subsidiary of the Bermndan-based oil explorer, Weeks Petroleum, now 92 per cent nwned by Bell Resources, the fast growing mining and energy offshoot of Mr Holmes à Court's master company, Bell Group, of Perth.

The major partner in Jabiru is Broken Hill Proprietary, Australia's biggest company, which has a 50 per cent stake.

Jabiru's early prodnction facility is expected to cost about A$200m. The field will be subject te the Australian Government's proposed resources rent tax, which is based on profit, not production, and is viewed by Mr Holmes à Court as being "nnt disadvantageous to the oil industry."

This is in contrast to the views of some eil industry experts, whe maintain that the new tax will dampen exploration activity. Despite their misgivings, there is e reasonahle chance that Australia will he virtually self-sufficient in oil by the early 1990s, theugh it will still have to import heavier grades of crude.

Weeks Australia is likely to be involved in 30 exploration wells this year, donble last year's figure, and even more in 1985.

It also has strong cash reserves, totalling A$70m at present, Mr Holmes à Court said yesterday.

Some shareholders expressed concern at the prospect of spending funds on further exploration areas.

Trade curb and audio slump hold JVC back

By Yoko Shibata in Tokyo

VICTOR Company of Japan (JVC), a major maker of audio equipment and the developer of the VHS format for video cassette recorders (VCR), suffered from both Japan's voluntary curb on exports of VCRs to Europe and the continued slump in sales of audio equipment in the year to March.

Unconsolidated full year pre-tax profits rose only marginally, by 2 per cent to reach Y41.17bn ($180m). Net profits were down by 10.7 per cent to Y17.17bn on sales ef Y553bn, up by 11 per cent. Net profits per share were Y12.7 down from Y16.3 in the previous year.

Sales in the television sector surged hy 20 per cent to account for 10 per cent of the turnover, thanks to strong demand for display units for computers. Sales in VCRs, JVC's mainline of business, accounting for 67 per cent of the total sales, rose by 10 per cent, reflecting higher domestic and U.S. sales.

Divestments boost Ayala Corporation

By Emilia Tagaza in Manila

AYALA CORPORATION, the Philippines largest property company, sold investments to help raise its profits last year by 27 per cent to 116m pesos (U.S.$8.3m) from 1982's 92m pesos.

Mr Jaime Zobel de Ayala, Ayala's president, said in a report to sharebolders that costs and expenses were growing more rapidly than revennes. Operating and administrative costs rose 54 per cent to 541.5m pesoe while interest expenses almost doubled to 120m pesos last year from 1982s 75m pesos.

Income from real estate, which accounted for 36 per cent of total income, reacbed 234m pesos, slightly higher than the previous year's 217m pesos.

Mr Zobel de Ayala, wbo became chairman and president late last year after his cousin, Mr Enrique Zobel, resigned and sold his shares, said losses in the other operations were offset hy profits realised from the sale of shares in San Miguel and Ayala International.

● Because of a transmission error we reported on May 9 that San Miguel's interest payments on foreign loans in 1983 and 1982 were, respectively, $471m and $480m. The figures should bave been 471m pesos and 480m pesos.

Sharp increase in profits for Hong Leong Finance

SINGAPORE — Hong Leong Finance and its 75 per cent owned subsidiary, Singapore Finance, recorded earnings gains in 1983 despite significant increases in provisions against non-performing loans.

But with continuing competition in the industry and little prospect fnr a recovery in the housing and property markets in the near term, Mr Kwek Hong Png, chairman of both companies, expects 1984 earnings to remain flat.

Hong Leong Finance increased group after-tax earnings hy 22.6 per cent to S$39.9m (U.S.$19m) in 1983 from 1982'e S$34.5m. Second-half profit, however, fell by 20 per cent to S$15.4m from S$19.2m.

Increased had-loan provisions reduced group pre-tax earnings by sbout S$7.4m. Without that factnr, group pre-tax profit would have been S$84.7m in 1983, up by 36.2 per cent from 1982's S$62.2m, rather than the recorded S$77.3m, up 24.3 per cent.

Singapore Finance said that in the past six months of 1983, after-tax group profit was up hy 28.7 per cent to S$5.1m from S$4m, and for the full year it rose by 17.9 per cent to S$9.7m from S$8.2m.

AP-DJ

Cycle and Carriage falls

SINGAPORE Cycle and Carriage said group after-tax earnings fell hy 33.3 per cent to S$14.1m in the six months ended March 31, from S$21.2m a year earlier. The car distributors group sales were down by 2.7 per cent to S$134.4m from S$138.2m.

The company blemed the profit decline oo stiffer competition among distributors of Japanese cars in Singepore and Malaysia, whicb lowered margins to "completely unsetisfactory levels."

Total Singapore passenger-car and commercial-vehicle markets slumped by 22 per cent and by 27 per cent respectfully from e year earlier because of bigher taxes on car owners. Malaysian passenger car husiness was steady, while commercial vehicle operations grew hy 14 per cent.

The company's Mitsubisbi sales are expected to improve in both Malaysia and Singapore. But its Mercedes Benz operations in Malaysia could be burt hy higber government duties.

AP-DJ

BASE LENDING RATES

A.B.N. Bank	9 %	Heritable & Gen. Trust	9¼%
Allied Irish Bank	8½%	■ Hill Samuel §	8½%
Amro Bank	9 %	C. Hoare & Co. †	9 %
Henry Ansbacher	9¼%	Hoogkoog & Shaoghai	9 %
Armco Trust Ltd.	9¼%	Kingsnorth Trust Ltd.	10 %
Associates Cap. Corp.	9 %	Knowsley & Co. Ltd.	9¼%
Banco de Bilbeo	9¼%	Lloyds Bank	9 %
Bank Hapoalim BM	9 %	Mallinhall Limited	9 %
BCCI	9¼%	Edward Mansoo & Co.	10½%
Bank of Ireland	9¼%	Meghraj and Sons Ltd.	9¼%
Bank of Cyprus	9¼%	Midland Bank	9¼%
Bank of India	9¼%	■ Morgan Grenfell	9 %
Bank of Scotland	9¼%	National Bk. of Kuwait	9 %
Banque Belge Ltd.	9¼%	National Girobank	9 %
Barclays Bank	9¼%	National Westminster	9 %
Beneficial Trust Ltd	9¼%	Norwich Gen. Tst.	9¼%
Bremar Holdings Ltd.	9½%	People's Tst. & Sv. Ltd.	9½%
Brit. Bank of Mid. East	9 %	R. Raphael & Sons	9 %
■ Brown Shipley	9¼%	P. S. Refson & Co.	9¼%
CL Bank Nederland	9 %	Roxburghe Guarantee	9½%
Canada Perm't Trust	8½%	Royal Trust Co. Canada	9¼%
Castle Court Trust Ltd.	9¾%	■ J Henry Schroder Wagg	9¼%
Cayzer Ltd.	9¼%	Standard Chartered ‖	9¼%
Cedar Holdings	9 %	Trade Dev. Bank	9¼%
■ Charterhouse Japhet	9¼%	TCB	9 %
Choulartons	10½%	Trustee Savings Bank	9 %
Citibank NA	9¼%	United Bank of Kuwait	9 %
Citibank Savings ¶	9¼%	United Mizrahi Bank	9 %
Clydesdale Bank	9¼%	Volkskas Limited	9¼%
C. E. Coates	10½%	Westpac Banking Corp	9¼%
Comm. Bk. of N. East	8½%	Whiteaway Laidlaw	9¾%
Consolidated Credits	8½%	Williams & Glyn's	9¼%
Co-operative Bank	9 %	Wintrust Secs. Ltd.	8½%
The Cyprus Popular Bk	9¼%	Yorkshire Bank	9 %
Dunbar & Co. Ltd.	9¼%		
Duncan Lawrie	9¼%		
E. T. Trust	9 %		
Exeter Trust Ltd.	10½%		
First Nat. Fin. Corp	11 %		
First Nat. Secs. Ltd	9½%		
Robert Fraser	9½%		
Grindlays Bank ‡	9 %		
■ Guinness Mahon	9 %		
■ Hambros Bank	9¼%		

■ Members of the Accepting Houses Committee.
• 7-day deposits 5.75%, 1-month 6.50%. Fixed rate 12 months £2,500 6%. £10,000, 12 months 6.25%.
† 7-day deposits on sums of: under £10,000 6%, £10,000 up to £50,000 6¾%, £50,000 and over 7½%.
‡ Call deposits £1,000 and over 5¾%.
‖ 21-day deposits over £1,000 7%.
§ Demand deposits 5¾%.
¶ Mortgage base rate.

INTL. COMPANIES & FINANCE

Terry Dodsworth on the latest U.S. insurance broking reverse

Marsh & McLennan takes a tumble

THE TROUBLES at Marsh & McLennan, the U.S.'s largest insurance broker, could hardly have come at a worse time in the industry's fortunes.

With virtually no exceptions, the big property and casualty companies are being battered by a devastating combination of natural disasters and cut-throat underwriting—a process which bas dragged the brokers down with them. But until last month, Marsh had managed to sail through the slump with steadily increasing profits. That record has now been destroyed by the $90m net loss announced on its bond trading activities.

Marsh's strength, and the reason for its achieving a premier rating by the stock market in the past few years, lay in its skill in riding its way through the cyclical downturn in the industry. After the buoyant growth period in the late 1970s, insurance brokerage baa come under pressure from the sharp deterioration seen in the underwriting business.

The brokers live on commissions, mainly from commercial and industrial clients, for business placed with the insurance companies. When the volume of activity is in retreat (as it was during the Reagan recession), and when premium prices are rednced (as they have been progressively over the past three or four years), brokers' commisions deteriorate in consequence.

Last year, the brokers had to suffer yet another blow. Through the recession, their income had been supported by the high level of interest rates. One of the ways they make money is on their "float," the fiduciary funds they have accepted from clients to place with insurance companies, and, to a lesser extent, payments in transit to claimants.

This money can be invested and earn interest during the float period under certain conditions established by the local insurance authorities. In essence the funds have to be put in short term, liquid instruments. In 1983, when interest rates plunged, earnings from this source fell with them.

Marsh'a rivals have all suffered from these contractions. Profits at Frank B. Hall, for example, fell to $11.6m last year, from $30.5m at the peak of its earnings in 1981; and at Corroon & Black they slumped to $12.2m in 1983 from $19.8m at the top in 1979.

At the same time, Alexander & Alexander, Marsh's main rival in the big league, showed that it was still dangerously accident prone as it was forced to meet further deficiencies in its Alexander Howden subsidiary in the UK. As a consequence its earnings fell to $700,000, against $57.5m back in 1981.

Marsh glided through these troubled waters, however, with its reputation intact and its share price trading at an all-time high of just over $50 around tha end of last year. Indeed, only days before its announcement that it would have to take beavy non-recurring losses, Salomon Brothers, among other Wall Street investment houses, was recommending the stock to investors.

Scoring some hits

What had particularly recommended Marsh to Wall Street was a combination of canny management in its underlying brokerage business and sound diversification. Unlike most nf its competitors, it had been able to increase revennes substantially on its brokerage activities—up last year to $631m from 1982's $623m—by adding to market share and switching increasingly to fees rather than commissions.

At the aame time, its other businesses seemed to be working well. The employee benefits services division, which advises companies on how to structure their pensions and other compensation items, raised its revenues from $164m to $192m; and the investment management division, which has been built up by acquisition, showed a jump in its revenues from $49m to $68m.

Indeed, in one sense, Marsb seemed to be scoring some hits on the dealing front as well, as investment income on fiduciary funds was held to $77m, against $88m in 1982—a drop of only 13 per cent, as it pointed out, against a fall of approximately 24 per cent in interest rates.

Although a complete explanation of wbat happened has not yet been given, and may even depend on legal investigations, it is already clear that Marsh began to manage its funds too actively. In a falling interest rate environment this can, of course, generate capital profits as prices in the debt market go up, as they did last year.

But for a company like Marsh it raises questions about the kind of investment policy that should be pursued, particularly in respect of fiduciary funds. The company bas certain guidelines of its own for the use of its float, whicb emphasise that it should be placed in relatively liquid instruments with little risk attached. In addition, the local, New York State insurance regulations are based on similar principles of prudence, to protect the value of clients' money.

According to statements by Marsh, the investment department, or some members of it, ignored many of these rules. Some Wall Street analysts believe this may have been because the department was under increasing pressure to improve its performance: in 1981, according to the letter to sharehnlders, the gronp established a centralised cash management programme "designed to increase the return on the investment of fiduciary and corporate funds."

Whatever the reasons, many trading decisions appear to have been taken with capital gain rather than interest income as the main target. Indeed, Marsh moved very heavily into the higbly speculative area of "when-issued" bond trading, in which deals can be done without putting up immediate cash. These investments depend essentially on a judgement of future rates, since the security is bought before it is issued, and a profit or loss taken depending on whicb way prices have moved by the time of issue.

When interest rates began to move up sharply again in the first quarter of this year, "wben-issued" trading became a licence to lose money. Yet at one stage in the first quarter, Marsh & McLennan's treasury department bad accumulated approximately $2bn in Government securities purchased in this way. When Morgan Stanley, the investment bank, was called in to liquidata these positions, the cost amounted to $60m.

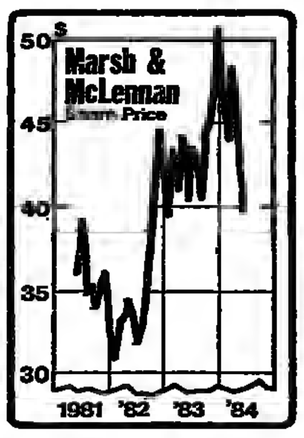
Marsh bad another shock in store, bowever, wben it found that other unauthorised medium and long-term investments had been run up by the treasury department. In a second statement, it was forced to disclose further net losses, of $30m, on unwinding these positions.

Big as these losses are, Marsh is a strong enougb company to stand them. Its sbarebolders' funds, whicb stood at $479m at the end of last year, will be reduced to something over $400m by the write-off, according to Mr John Regan, the chairman.

Even so, the incident bas left a very deep mark. First, it has raised the qnestions over the use of fiduciary funds, which have come to account for such a high proportion of brokers' profits, but which essentially belnng to someone else.

While Marsb's "wben-issued" trading positions did not depend directly on using this kind of finance, it is not at all clear which funds were being used for what purpose, and that bas inevitably raised criticism in the market.

Secondly, Marsh's reputation as a Rolls-Royce performer has taken a battering. Despite two separate attempts at an explanation, Wall Street finds it difficult to understand how the investment department was able to conceal its methods from senior management for so long; and the sudden, 50 per cent ratcheing up of the loss figure has not helped confidence either.



As a consequence, Marsh's share price has been knocked back by 20 per cent to around $40. The company has not yet said exactly how it will account for the losses it has run up, but in any year before 1980, they would have completely wiped out its net profits. Ms Alice Cornish, an analyst at Lehman Brothers, says that the price reflects Marsb's outstanding reputation as a manager in the pure brokerage business But on a price earnings multiple of around 12 on last year's earnings, it is also 'full valne" for the stock.

KONGERIGET DANMARKS HYPOTEKBANK OG FINANSFORVALTNING

U.S.$125,000,000
THE MORTGAGE BANK AND FINANCIAL ADMINISTRATION AGENCY OF THE KINGDOM OF DENMARK
(Kongerlget Danmarks Hypotekbank og Finansforvaltning)
Guaranteed Floating Rate Notes due 1999 Series 95
Redeemable at the Nntebnlders' Optinn in 1996
Unconditionally guaranteed by
THE KINGDOM OF DENMARK

Notice is hereby given that the Rate of Interest for the second one-mnnth sub-period has been fixed at 11¾% p.a. and that the interest payable for the second one-month sub-period in respect of US$10,000 nominal of the notes will be US$101.18.
This amount will accrue towards the interest payment due July 11, 1984.

May 11, 1984, London
By: Citibank, N.A. (CSSI Dept), Agent Bank CITIBANK

U.S. $150,000,000
DAI-ICHI KANGYO FINANCE (HONG KONG) LIMITED
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In accordance with the provisions of the Notes, notice is hereby given that for the six-month Interest Period from 10th May, 1984 to 13th November, 1984 the Notes will carry an Interest Rate of 12⅛% per annum and the Coupon Amount per U.S.$10,000 will be U.S.$629.83.

Merrill Lynch International Bank Limited
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NEW ISSUE 8th May, 1984

JSR

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Autopistas de Cataluña y Aragon,
Concesionaria Española, S. A.
(ACASA)
Barcelona, Spain

7% DM Bearer Bonds of 1978/1985
— Security Index Nn. 461 709 —

On the basls of the Royal Decree Nn. 126, dated January 25, 1984, the General Shareholders' Meeting of Autopistas de Cataluña y Aragon, Concesionaria Española, S.A. (ACASA) and Autopistas, Concesionaria Española, S.A. (ACESA), by resolutions adopted on April 11, 1984, have decided to merge these twn companies. The merger will be effected by ACESA acquiring the assets and liabilities of ACASA in whole and ACASA then being dissolved. The motorway concessions nf the two companies will be integrsted into nne concession. The merger will become effective upon registration in the Commercial Register. The Bondholders will be informed thereof by an announcement to be published in due course. As a result of the merger, all of ACASA's obligations in respect of the 7% DM Bearer Bonds of 1978/1985 will pass to ACESA. The Bearer Bonds will continue to be good delivery in their nriginal form. They will be neither stamped over nor exchanged for other bonds. The guarantee of the Caja de Pensiones para la Vejez y de Ahorros de Cataluña y Baleares securing the Bearer Bonds will in no way be affected by the merger.

On behalf of
Autopistas de Cataluña y Aragon
Concesinnaria Española, S.A. (ACASA)
BAYERISCHE VEREINSBANK
Aktiengesellschaft

Munich, May 1984

This announcement appears as a matter of record only.

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April, 1984

UK COMPANY NEWS

U.S. recovery helps BOC to climb 80% to £65m

THE current recovery in the United States, which has now moved from the consumer spending phase into the capital spending phase, has had a favourable impact on turnover and profits of the BOC Group, the worldwide industrial gases, health care, carbon and welding products concern.

Group pre-tax profits climbed 80 per cent from £36.1m to £65.1m in the six months to March 31 1984. Turnover, less that of related companies, rose from £826.4m to £940.3m. The interim dividend is raised by 15 per cent from 2.73p to 3.15p—last year a total of 6.3p net was paid from pre-tax profits of £95.8m.

The directors forecast a "strong performance" for the rest of the year and City analysts say the group looks "well on target" for full-year profits of around £140m. Mr Richard Giordano, BOC's chief executive, commenting on this figure, later said be was "not uncomfortable" with most of the estimates being suggested.

Mr Giordano says big increases in capacity in both the UK and U.S. are coming through this year on the group's industrial gases business. By the year-end, U.S. capacity will have been increased by around 1,000 tonnes, a rise of some 17 to 20 per cent.

In the UK, it will go up by some 800 tonnes, an increase of 25 per cent and the biggest increase the group has made since 1971. Industrial gases and carbon graphite were behind the big improvement which showed through BOC's U.S. results in the first half of the current year.

A high level of expenditure for capital requirements and acquisition opportunities will continue. The balance sheet and cash flow are strong enough to sustain this level of activity, say the directors.

Commenting on this, Mr Giordano says the momentum built *into* capital spending is going to carry the group through this year. It is in the early stage of capital spending in the U.S. and there are significant parts of industry that have still not seen the rise.

One "major irritation" for BOC in the U.S. continues to be the lossmaking welding business.

Mr Giordano is not prepared, at this stage, to make any forecast of its future—"we have got to see the cycle through and see how the business responds."

Group operating costs in the first half were £763.8m (£691.1m) and after higher depreciation of £83.5m (£76.1m), operating profit advanced from £65.9m to £99.6m before realised stock holding gains of £2.2m (£400,000).

Operating profit included a substantially increased contribution of £30.7m (£14.9m) from the Americas. All other geographical regions made progress at this level, with Europe ahead at £34.7m (£25.5m); Africa advancing from £8.4m to £10.2m, and Asia/Pacific £6.9m higher at £24m.

First half tax was up from £7.5m to £15.9m, and minorities were little changed at £7.3m (£7.4m), leaving net earnings of £41.9m, compared with £21.2m.

See Lex

HIGHLIGHTS

After briefly looking at the money markets the day after the base rate rise Lex comments on the extremely difficult first quarter from **Royal Insurance** where pre-tax losses are *over £20m*, largely, though not entirely, due to the poor weather in the UK and the U.S. The column then enquires into how heavily **Royal Bank of Scotland** is to be caned by the *tax changes*. It *looks as if* it will be as hard hit as the London clearers and worse than previously acknowledged. Meantime BOC revealed its first quarter and Lex speculates on its management's open mind about how long the recovery will continue. Finally **Debenhams'** figures show the benefits of improved volume and a rapidly growing consumer credit business.

T & N on course for advance

ANNUAL MEETINGS were again in full swing yesterday, and the following are extracts from several of them.

Shareholders in Turner and Newall were told that operating experiences in the current year were "well in accord" with the expectation that profit before tax this time would show a minimum 50 per cent advance over the £12.5m for 1983.

Much of the improvement would come from the UK, with the benefit of accrued tax losses, but India and Africa would make a smaller contribution because of their economic situations.

Sir Francis Tombs, chairman, said he was confident that the group was well poised for further progress. Bulk of the dramatic surgery was complete, and consideration was being given to some product extensions either by internal development or by modest acquisitions.

He said there were "distinct signs" of improved demand at home in some market sectors, but the construction industry generally remained depressed.

Mr D. G. Lynall, chairman of cold forged fastener maker Linread, said there had been a significant improvement in the group's fortunes, but there was still a long way to go before an acceptable level of performance was reached.

The first quarter had shown continuing improvement in recovery. A slightly higher customer demand had helped progress, but the majority was due to improvements in productivity arising from last year's drastic reorganisation and the *effort of* the workforce.

At the BBA Group meeting, chairman Mr D. M. Pearson, said a good start had been made to the current year and an advance in profits was looked for unless the miners' strike was very prolonged. In the U.S., conditions *seemed to be set for a period of* excellent business.

AE makes £8.2m and pays 1.75p interim

CONFIDENCE THAT profits are returning to a more acceptable level is expressed by Mr John Collyear, chairman of the AE engineering group, in his interim statement. The group pulled out of losses in the second half of last year.

Benefits are becoming evident of the investment in restructuring and in high technology product and processing engineering, and there is "an undoubted improvement" in the industrial economic climate, he says.

After £3m in the first quarter, profit before tax has moved up to £8.2m for the six months ended March 31 1984, and a return to interim dividends is being made with a payment of 1.75p.

In the half year external sales rose from £181.5m to £203.7m and the operating profit from £4.5m to £12.3m. The chairman says trading conditions were better as a result of greater activity on the part of some customers both at home and overseas. More importantly the market share has continued to increase. UK exports rose by 20 per cent.

Redundancy and related costs were reduced to £200,000 (£1.5m) and net interest payable to £3.9m (£3.3m), leaving the profit at £8.2m (loss £2.3m). For the whole of the previous year the group earned a profit of £400,000.

After tax £2m (£200,000) minorities £200,000 (£300,000) and extraordinary debits £1.4m (£1.3m), the attributable profit was £5m (loss £2.9m). Earnings are shown at 6.5p (loss 3.6p) per share.

Mr Collyear makes references to the attempt by GKN to acquire the group, abandoned when the Monopolies Commission objected. He says that prospects for the current year vindicate the views he expressed in the 1983 review that AE has a good future as a continuing independent company.

● comment

AE has more than justified the faith it did not ask from its shareholders when it agreed last year's bid from GKN. Fortunately the Monopolies Commission saved the day. First quarter profits were £3m, so £5.2m in the second quarter is an acceleration of the recovery, though with Easter late AE worked more days than usual. On the 13 per cent sales gain (on a like-for-like basis) for the half year about 9 per cent was volume. That and the cost savings AE has made more than doubled trading margins. Demand has picked up across the board, missing only the UK distribution side, and some important export orders have been won, increasing market share. Though the money cost of the GKN bid could reach £600,000, it has proved beneficial in concentrating the management's mind. Profits for the year now look like reaching £18m, against £400,000, and on AE's estimated 24 per cent tax charge, the prospective p/e is 6.3 with the shares down ½p to 87p. The better than expected interim dividend is giving rise to hopes of a 4p total, making a 6.7 per cent yield. The shares have further to run.

Debt provisions hit Lloyds and Scottish

Pre-tax profits at Lloyds and Scottish, financier, fell by £3.1m to £8.6m in the six month to March 31 1984, and Mr G. Duncan, the chairman, says the reduction reflects, in the main, the continuing high level of provisions required in respect of bad and doubtful debts.

The 1984 Finance Bill introduces major changes to capital allowances and corporation tax rates which affect the leasing business. The group has, therefore, reviewed its level of provision for deferred tax and has made an additional provision of £78.4m as an extraordinary item.

An interim dividend of 1p (same) has been declared for the 15 months to December 31 1984—the total for the previous 12 months was 3.87p. Earnings per 20p share were 1.93p (5.15p on old capital).

18% increase for Greenall Whitley so far

In a "good all-round performance" taxable profits at Greenall Whitley increased by 17.6 per cent to £10.53m in the half-year to March 30, against a comparable £8.96m. The last full year figure was £24.01m.

The company is to pay an interim dividend of 1.928p per ordinary share and 0.3556p per "A" ordinary share, against a respective 1.7943p and 0.3598p.

Turnover for the period was up from £120.04m to £123.84m. The company's breweries produced a satisfactory trading performance with comparable beer volumes similar. The wines, spirits and soft drinks subsidiaries continued to improve, with more off-licences commencing to trade, say the directors.

Tax was £4m, against £3.08m, and minority interests took £10,000 (nil). Earnings per ordinary share were 5.54p (5.09p) and per "A" ordinary share 1.11p (1.02p).

LADBROKE INDEX
Based on FT Index
887-891 (−4)
Tel: 01-493 5261

Royal Bank Scotland jumps £25.6m

HIGHER net interest earnings, improved commission and fee income and a reduction in bad and doubtful debts have helped pre-tax profits of Royal Bank of Scotland Group surge from £31.2m to £56.8m for the six months ended March 31 1984.

Including a £7.8m (£3.9m) share of associates' profits operating surplus expanded by £30m to £68.9m and the pre-tax figure was after loan capital interest, up from £7.7m to £12.1m.

Earnings per 25p share are given as 16.1p, compared with 9.6p, and the interim dividend is increased 10 per cent to 3.3p (3p)—last year's final payment was 4.4p and pre-tax profits amounted to £95.5m.

Net interest income advanced from £136.4m to £160m, while the charge for bad and doubtful debts fell from £24.5m to £17.2m for the six months. This was split between specific £14.4m (£23.5m) and general £2.8m (£1m).

The directors say the improved results were achieved despite a fall in base rate from an average of 10.2 per cent for the first half of the previous year, to 9 per cent for the first six months of the current year. The average margin between base rate and retail deposit rate widened from 3.2 per cent to 3.5 per cent and this, coupled with higher levels of sterling business accounted for most of the increase in net interest earnings.

The results, directors explain, reflect to an extent the improving *general economic* environment in the UK, which remains patchy, and the medium-term outlook is still uncertain.

On balance, however, the general economic and financial outlook appears better, they state, than it did six months ago, and it is expected that as Royal Bank progresses towards the merger *the underlying* improvement in domestic business will continue.

Tax charge for the interim period more than doubled from £9.2m to £20m and after minority interests and preference payments the attributable balance came through £14.8m higher at £36.4m.

The directors point out that the tax charge is based on a UK corporation rate of 47.5 per cent and takes account of deferred tax on all timing differences other than those considered likely to continue for the foreseeable future.

As a result of the rates of corporation tax and tax allowances, on capital expenditure proposed in the Budget, tax deferred by capital allowances mainly on leased assets must now be expected to become payable at the new rates instead of being deferred indefinitely.

At the same time, the tax variation clauses in lease agreements will reduce future pre-tax rental income.

The directors say the impact of the changes on the deferred tax already provided at September 30 1983, will be reflected in the full year's accounts for 1984, by an extraordinary debit, matched by a transfer from reserves.

The additional deferred tax provision expected to be required is of the order of £90m. The calculations of the effect of tax variations on lease rentals are complex, they say, and a further provision in respect of this will be required.

A percentage split of group pre-tax profits between the two six month periods and the whole of last year shows: domestic 51 (42) and 46; international 13 (18) and 21; related services 36 (40) and 33.

See Lex

BSG Intl. asks shareholders for £10.8m

SAMUEL MONTAGU has underwritten a £10.8m one-for-one rights issue of 65.77m shares of 10p at 17p per share of BSG International, the car dealer and automotive component manufacturer.

The company returned pre-tax profits of £3.27m in 1983 having made losses of £1.29m in 1982. Its capital base has been eroded substantially since the onset of the recession in 1979, and the company feels that now, with trading conditions more buoyant again, the time is right to strengthen its trading base with the help of reduced borrowings and additional working capital.

The board says that it is encouraged by the current level of trading in the company and looks to the future "with considerable confidence." The management accounts for the first quarter of 1984 show an improvement on those produced for the comparable period of 1983.

The directors propose a total net dividend of 1p per share compared with 0.1p in 1982 and say they expect to maintain this level of dividend on the enlarged share capital in 1984.

Closing date for acceptances of the rights is June 20. Dealings are expected to begin on May 30. Brokers to the issue are W. Greenwell.

● comment

The prospect of a rights issue *has been hanging over* the shares of BSG for some time. When the cloud finally burst it proved to be a heavy shower, one for one, at 17p per share, but better to clear the air, than come back for more too quickly. A debt to equity ratio of 40 per cent post rights is much more comfortable than the 115 per cent level it reached at the end of 1983 down from 158 per cent in 1982. The shares have languished for some time. BSG's attraction is as a possible recovery stock, so investors will probably take up the rights though on the heavy side. The market had been forecasting around £4m for 1984 to which at least £500,000 can be added in interest savings on the reduced debt. Competition on the car dealing side is tough and an increase in car registrations is not expected this year. BSG will be looking for its main growth from the automotive components side where it specialises in safety products such as safety belts and children's car seats. BSG is back on the road, but until there is more sign of acceleration the shares down 2p to 19p are, on a p/e of 7, only a little on the cheap side.

Aidcom and BCA rights acceptances

Aidcom International had a successful 97.45 per cent response to its £2.37m one-for-four rights issue of 3.36m shares at 75p each.

The shares not taken up have been sold at a net 33p premium by J. Henry Schroder Wagg. The proceeds will be distributed in due proportion to the shareholders to whom the shares were provisionally allotted.

Directors and their families placed, nil paid, through the market, their entitlements to 439,356 shares at 33p per share and used the proceeds towards subscribing for the balance of their entitlements.

● British Car Auction Group's 4-for-13 rights issue, to raise £17m, has been taken up as to 88.1 per cent at 98p per share. The remaining shares have been sold in the market at 103.875p each and the surplus will be paid to non-accepting shareholders.

Microvitec heading for USM

BY ALISON HOGAN

Microvitec, the UK market leader for colour display monitors for computers, is coming to the USM with a market capitalisation of £48.9m, offering for sale 7.3m shares at 180p per share giving a p/e of 34.6.

The company has grown fast since it developed and sold its first commercial colour monitor in July 1980. It sold 50,000 units in 1983 and should more than double that figure in 1984.

By concentrating on quality and developing good relations with UK computer manufacturers it quickly built up it market, now over 50 per cent in the UK, including the contract to supply monitors to the Government for its "Micros in Schools" schemes and the BBC Microcomputer.

It also supplies monitors to *OEM manufacturers*, accounting for £2m of last year's £9.6m turnover. Pre-tax profits were £2.51m, up from £195,00, in the year to December. The company gives no profit forecast for 1984 but says orders are substantially up on last year.

Sales and pre-tax profits for the three months to March, based on unaudited management accounts, were £3.69m and £878,000 respectively.

The offer for sale of shares will raise £4.5m for the company which will be used to finance a new factory to meet Microvitec's expanding manufacturing needs. It will also develop and manufacture other computer peripherals including colour terminals, switch mode power *supplies* and *floppy* disc assemblies.

The company intends to expand overseas sales which have been small to date.

The closing date for applications is May 17 and dealings should begin on May 24. Microvitec is advised by Hill Samuel, and W. Greenwell are brokers to the issue.

● comment

Microvitec needs another year's trading to qualify for a listing on the Stock Exchange so it has come to the USM, unable to wait to get on with its ambitious plans for expansion. It is a shrewd move and a p/e of 34.6 times which might look cheeky on a full listing, is not out of place in the electronics sector of the USM. The rapid growth of the company under the chairmanship of Tony Martinez is impressive. If that growth can be sustained then the rating is well deserved. The structure of the company seems right, highly motivated staff, an emphasis on quality products and close contact with the computer industry. It does not set out to develop new technology so much as to resolve the problems of its existing systems and it is the flexibility and adaptability of its colour monitor which has assured its success to date. Microvitec hopes to continue the work into colour terminals and other computer peripherals and is optimistic about the export potential of its products which it has only recently begun to plan. The going will get harder, but the next couple of years look good.

UK COMPANY NEWS

Gerrard & National makes 'good' profit and raises dividend

NET TAXED profits of £10.12m achieved by Gerrard & National in the year ended April 5 1984 are considered good. They came about through a decline in UK market rates, and very active dealing and jobbing in short assets and in the gilt-edged market.

Mr R. G. Gibbs, chairman, says tha profits are struck after tax, minorities and a transfar to inner reserves. They fall well short of the exceptional £14.21m earned in 1982-83, but are substantially in excess of any previous results and were evenly spread in each quarter.

The final dividend is raised from the equivalent of 7p to 9p, for a net total of 12p, against 10p.

Full provision has been made for the maximum potential tax liability on leased assets and for the rebate of rent to lessees arising from corporation tax variation clauses. On the other band, part of the deferred tax provision in respect of certain other items is no longer considered necessary.

At April 5 1984, disclosed shareholders' funds stood at £57.14m, compared with £45.35m last year, while total assets, excluding those subject to repurchase arrangements, amounted to £3.19bn, against £2.35bn.

Mr Gibbs says since last summer the face of the City has changed markedly, and Gerrard has discussed its future and the part it may play in it with many institutions. The new environment will open up still further borizons and "we look forward to the future with considerable enthusiasm and a degree of excitement."

The group intends to extend its market making activities beyond the area of short assets into the full spectrum of gilt-edged.

At the year end Gerrard was running a fairly full book, but soon after sold the bolding of fixed gilt-edged and greatly reduced both the size and length of the portfolio as a whole.

● comment

In 1982-83 discount bouses were enjoying the bappiest of markets when interest rates fell sharply. A profit fall in 1983-84 was inevitable as market rates only dropped by 1¼ per cent and gilts were little changed. Gerrard and National made the most of the thinner margins available by running a much larger book. It seems this is the pattern for the future, except in odd weeks like this one when even the clearing banks cannot agree on base rates. G & N is anxious to point out that between the April 5 year-end and now its book has changed dramatically, so the damage done by the rise in rates should be small. Tha chairman's statement is full of new opportunities sbroad, in Japan and the U.S., and at home where the Liffe business is profitable, new players are appearing in the money markets, and there is the prospect of becoming a primary dealer in gilts. There is alweys the chance of a merger, thougb G & N would prefer to stay independent. The dividend bas gona np in good years and bad, averaging an 18.6 per cent rise over the last 15 years. The 20 per cent increase in 1983-84, gives e yield of 5.6 per cent on the shares st 305p down 5p yesterday. Justifiably the lowest in tho sector.

Weather losses plunge Royal £20m into red

RECORD weather losses on its world-wide insurance business, particularly in the UK, sent underwriting losses of **Royal Insurance** soaring in the first three months of this year from £64.2m to £101.6m and resulted in a pre-tax loss of £20.4 compared with s £9.2m profit last year.

The group had the beoefit of a £1.3m tax credit in the period. But in the first quarter of last year It hsd a tax credit of £7.1m. Tbus there was an after tax loss In the first three months of £19.1m, compared with a profit last year of £16.1m.

Mr John Howard, Royal's chief general manager, was rather cantious as to prospects of making up lost ground in the remaining part of the year to match last year's pre-tax profits of £98.4m.

Tbe problem area for weather losses was the UK. The group's UK property account was hit by the prolonged icy weather in Scotland and the north of England early in the year.

Weather losses on this account amounted to £32m, compared with £11.5m lest year and the previous record £26m paid in the winter of 1982. Some £24m of these losses came on the private householder sccount and Mr Howard admitted thst the premium rates were inadequate to meet the severe weather patterns of the past five years.

However, be also stated that there would be no premium increase on house buildings insurance this year.

Premium growth on the UK account was s satisfactory 14 per cent. The other classes of business were somewbat better than last year, with conditious in the commercial market remaining more stable than in previous years.

Conditions in the U.S. have gone from worse to barely tolerable with an operating ratio of 126 per cent against 117.9 per cent. The poor result, wbere underwriting losses rose from £43.5m to £60.2m, were in part due to the weather—losses of U.S.$14.5m (£10m)—but more to the dramatic rise in the nnmber of claims on commercial multi-peril business not related to weather. Tbere was some improvement on personal lines, with commercial lines being the problem.

Rate increases and remedial action in the U.S. has already led to significant loss of business. However, further measures are being taken, but Mr Howard pointed out that in many classes Royal's premiums are at the top of the market and it cannot go any further unless the market turns.

Resnlts deteriorated in Canada with loses rising from £2.4m to £9.1m on virtually unchanged premium volume. The number of claims have now returned to normal with bigh numbers of automobile accidents. Rates have now become inadequste.

There were further beavy losses in Western Europe and severe flood claims in New Zealand. But Australia beld the improvement seen last year with an underwriting profit of £1.1m. The result in the Netherlands was similar to last year.

The life subsidiary **Royal Life** reported new annual premiums up by 55 per cent to £18.3m in the first three months and single premiums up by 37 per cent to £22.9m. Endowment mortgage business was satisfactory and unit-linked business doubled.

See Lex

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Clicaprint, English Property Corporation, Herman Smith, Reliant Motor.

Finals: J. Billam, Datasarv. Tam-Consulets, Yorklyde.

FUTURE DATES

Interims—

General Stockholders Inv. Tst.	May 18
Majedie Investments	May 18
Northern American Trust	May 22
Radio Clyde	May 25
Stockholders Invest. Trust	May 16

Finals—

Clarke, Nickolls and Coombs	May 16
Duncan (Walter) & Goodricke	May 22
Hargreaves	June 26
Henderson	May 16
Hinton (Amos)	May 15
PCT	May 17
Sears	May 15
Wornford Investments	May 14

Second half fall leaves UEI £1.2m down for year

PROFITS of UEI fell further during the second six months and left the group £1.2m behind at £8.31m pre-tax for the full year to January 31 1984. First half profits were down by £341,000.

The dividend, however, is being lifted by 0.25p to 5.25p net per 10p share by an increased final of 3.25p.

Group turnover rose from £59.76m to £68.39m and was made up by division as to electronics £44.4m (£37.47m) and engineering £24m (£22.31m).

Over the year electronic profits fell by £366,000 to £6.33m although during the second half they showed an improvement of £285,000 compared with the opening half. This reflected progress made by Quantel, where new products are now yielding better profits, and continued successful marketing by Link Systems.

Engineering profits fell by £788,000 over the year to £3.09m.

● comment

UEI did its best last December to scale down the City's hopes, but the market was in unforgiving mood yesterday. Its 13 per cent profits decline sent the shares down 16p to 178p, a 60 per cent fall over the past 12 months. The aerospace industry's problems led to a £1.5m swing into a £400,000 loss at Yewlands. Cosworth slid backwards thanks to its belated shift to turbo racing engines, and Cabletime has had to be put on the back burner for the time being. Yewlands is now profitable, having broadened its customer list, and is planning a non-aerospace product. Cosworth's contract to make Mercedes cylinder heads could double its profits in a few years, although the change of emphasis from design to production means margins are bound to be squeezed. Link will be in limbo in the current half since its new television cameras will not be delivered until the autumn and it has stopped making the old ones. The pace of R&D spending will slacken this year; with a direct benefit to the bottom line, and the new acquisitions should start contributing. Around £10m pre-tax looks in reach. The p/e, a heady 33 last May, drops to 13.

Ward White jumps 64% and makes 'excellent' start

FOLLOWING an improvement from £1.58m to £2.15m after six months, Ward White Group, footwear manufacturer and retailer, finished the year to January 31 1984 at £8.76m, compared with £5.34m for the previous 13 months, a growth of 64 per cent.

Turnover expanded by over £43m to £179.44m (£136.21m) and directors say the group has made an excellent start to the current year with sales running well ahead of 1983. They add that with the improved economic climate gathering pace and further benefits to come from acquisitions, they look forward with confidence to the year's outcome.

Contributions from the UK-based operating groups showed a "dramatic increase" with a particularly impressive performance by the Frisby/Turner chain, directors state. They add that the UK footwear operating sector managed a useful increase in spite of a poor year for the Wrangler brand.

The overseas operating group showed excellent growth with a 30 per cent advance in trading profit.

On capital increased by last year's rights issue earnings are given as 14.45p (10.37p) per 25p share on a net basis, and 14.45p (10.91p) nil. The dividend is stepped up to 4.93p (4.48p) with a final payment of 3.39p.

Profit figure was after interest of £2.29m (£2.64m) and subject to tax of £2.43m, against £1.81m.

● comment

The startling growth of Ward White reflects its transformation from maker into retailer of shoes. The contribution to trading profits from the retail and distribution businesses rose from 34 per cent to 57 per cent last year and will go higher still this year. Acquisition has been the key to the group's success so far, both in the UK and the U.S. and to a smaller extent in Europe. The UK chain is now being progressively revamped to appeal to more fashion conscious buyers, but further acquisitions should not be ruled out. In the U.S., the latest big buy was only last month—the Wiener business in New Orleans. The safety shoe businesses made useful profits but growth here is limited by dull industrial demand. Shareholders, who were asked to chip in to a heavy one-for-three rights issue at 88p last October, saw their shares at 129p, down 1p, yesterday. With £11m pre-tax on the cards, the prospective p/e is only about 9, assuming a 30 per cent tax charge.

Companies and Markets

UK COMPANY NEWS

Debenhams surges £13m to £32.7m

FURTHER IMPROVEMENTS in efficiency and productivity in the department stores and other retailing businesses, as well as footwear manufacturing and financial services, have boosted taxable profits of Debenhams from £19.6m to £32.7m for the year ended January 28 1984. Second half contribution expanded by £9.47m to £27.53m.

The current year has started well, directors say, and they look with confidence to further progress.

After VAT, £63.2m (£59.9m), turnover for the 12 months amounted to £683.6m, compared with £616.6m, a rise of 11 per cent.

After interest charges of £5.8m, against £5.5m, trading profits were £35.5m (£20.9m) a 70 per cent expansion over the previous year. The pre-tax figure included a £2.7m (£7.4m) property surplus and was after non-trading charges including redundancy and closure costs, £3.5m (£8.7m).

Tax charge took £7.7m, compared with a previous £4.3m, and earnings per share were 17.2p (10.9p). On a nil distribution basis they were 18p (12p).

The dividend is lifted from 6.8p to 7.5p net with a final payment of 5.3p.

The retained balance was much higher at £13m (£5.5m) after minorities, preference payments, and ordinary dividends of £10.2m (£9.1m).

In the department stores the directors say that increased consumer demand coupled with benefits from improved productivity resulted in an encouraging increase in the profit contribution. With favourable trading conditions they are confident that this trend will continue.

As part of the drive to improve competitiveness and profitability from more efficient space usage, discussions are taking place with Harris Queensway with a view to forming two joint companies in which the groups would share their respective expertise in retailing carpets and furniture in the one case and television, audio and electrical equipment in the other.

The policy of extending and improving trading space has continued. New stores were opened at Croydon and Cambridge during the year and work is nearing completion on a store in Aberdeen which will open in the autumn.

Despite tough competition, Lotus, major footwear supplier to Marks and Spencer, made significant increases in ETAO and productivity while the Rayne shoe business experienced some growth in demand.

Harvey Nichols, which is separately managed from the other department stores, continued to build on its progress with both sales and profits showing encouraging gains.

Hamleys, toy retailing, was well above its profit target, the directors say, with returns on investment in the new Regent Street store being realised earlier than anticipated.

Welbeck Finance, the specialist consumer credit business, reported record profits of £17m, compared with £8m, which not only arose from additional credit business with Debenhams' customers, but from operating profitable credit services for more than 40 other retail groups.

Pursuing the policy of decentralising group activities, the directors are establishing a separate property company, which will have assets of about £200m, to manage and develop the group's substantial property portfolio.

See Lex

Ultramar £11.7m higher in first quarter

ON THE back of a £361m rise in turnover to £784.3m pre-tax profits of Ultramar for the first three months of 1984 improved by £11.7m to £47.6m and cash flow from operations rose to a record quarterly high of £54.6m, compared with £36.9m.

The results were struck after deducting £34.3m (£25m) for distribution costs and administrative expenses and much higher interest charges of £17.5m, against a previous £4m. Other operating income added £7.7m (£8.7m). Ultramar is a petroleum exploration and development group.

Over the quarter producing operations in Indonesia, the North Sea and Western Canada had good results, but the marketing and refining divisions in Eastern Canada and California were still disappointing.

The directors say that strong competition for market position, especially in Eastern Canada, at times drove gasoline prices well below the cost of crude oil. In addition, the upgraded Quebec Refinery produced a lower yield pattern than anticipated over the period. They believe that they have identified the cause of the shortfall and that the problem will be corrected over the next few months.

First quarter capital expenditure of £85.4m (£52m), included the cost of acquisition of a 1 per cent interest in the Forties Field and an additional 2.5 per cent interest in the Maureen Field at a combined cost of £57.8m.

The group's average oil and gas production for the period from the North Sea, Indonesia, Western Canada and the U.S. reached an all-time high of 23,100 barrels per day of oil and 259.1m cu ft per day of gas.

Sales of crude oil and petroleum products were also at a record high of 352,600 barrels per day, of which 128,400 barrels per day came through the marketing interest acquired last year in the North Eastern United States.

Tax for the quarter rose from £22.4m to £37m and was made up as to current tax £21.8m (£17.8m) and deferred tax £5.2m (£4.6m). Net profits emerged at £32.3m, compared with £25.2m.

Earnings came through 2.9p ahead at 23.8p per 25p share.

On a barrels per day basis sales of oil totalled 352,600 (182,500), oil refined 108,300 (81,600) and oil produced 23,100 (9,400). Gas produced (1000s of cubic feet per day) totalled 259,100 (182,700) and gas wells drilled reached 60 (31). Oil and gas wells completed, in which Ultramar has varying interests, amounted to 46 (23).

Group pre-tax profits for 1983 totalled £155.2m. As already known the directors are proposing to lift the dividend for the year by 2p to 17p and are recommending a scrip issue on a one-for-one basis. *The AGM is being held on May 31.*

● comment

The unpleasant surprise in these figures from Ultramar, which took the shares down 30p to 620p, was the teething problems at the newly-modernised Quebec refinery which knocked about £5m off net profits for the quarter. The difficulties draw attention to the uphill struggle the group faces in achieving decent profits in its downstream operations in Eastern Canada in the face of low prices and fierce competition, though in the U.S., the recently acquired Ultramar Petroleum is making useful profits. Upstream, Ultramar, remains strong, aggressive and acquisitive—it is reaping the rewards of LNG investment in *Indonesia, and of expanding production* in Western Canada and the North Sea. Its exploration programme will eat up most of the £160m set aside for capital spending this year, and the group will be an active bidder at the ninth round of UK Continental Shelf exploration licences. Despite this quarter's hiccup, there seems no reason to expect less than £150m to £160m net profit for the year, putting the shares at an attractive prospective p-e of 8.4.

Outlook is promising for Holt Lloyd

Mr Tom Heywood, chairman of Holt Lloyd International, the car-care products and food group, says the future looks promising. All activities are well positioned to produce higher profits, while the recent acquisitions in Canada and South Africa will make a "significant improvement" to operations there.

He confirms the results for the year ended February 25, 1984 published a month ago, showing sales at £55.06m (£52.87m) and pre-tax profits at £4.24m (£2.06m). Earnings are 6.52p (1.1p) and the dividend is again 3.17p.

There was a considerable improvement in UK profits following action over the last two years.

Profits doubled at John Foster

TAXABLE PROFITS at John Foster and Son, cloth manufacturer and spinner, more than doubled from £245,000 to £503,000 in the year to March 2 1984.

This reflects the board's expectations at midway when it predicted a substantial increase over the previous year. Second half profits amounted to £383,000, against £344,000.

The company is to pay an increased final dividend, up from 1p to 1.75p, to lift the total to 2.25p (1.5p).

The board sees the figures as evidence of a continuing improvement in profitability. The group has a full order book in most sections, and the prospects are good for exports of quality suiting cloths, a major part of the group's turnover. A further increase in profits is foreseen.

The result was achieved on a 15.8 per cent increase in turnover to £17.03m (£14.7m) which produced operating profits of £982,000 (£579,000). Interest absorbed £375,000 against £334,000, and advance corporation tax took £65,000 (£52,000).

An extraordinary debit of £294,000 (nil) relating to the acquisition of E. A. Matthews, worsted manufacturer, last September, comprised £221,000 goodwill written off and £73,000 relocation expenditure. Earnings per share were 6.2p (2.4p).

● comment

John Foster's firm progress puts the company in striking distance of a full recovery to the heady days of 1974, when the relative strength of sterling made the export-orientated business a much more attractive prospect for investment. Although price is still a critical factor, it is product quality that now sells the company's up-market suiting cloth to successful businessmen in Japan, the Middle East and Europe. Volume sales have been building up steadily but there was some loss of margin in the second half as a result of the stiff price increase of mohair. In terms of the current year the optimistic outlook by the company looks justified given that mohair prices have fallen back a little and the current order book will keep production facilities busy for at least seven months. There will also be a substantial first-time contribution from Matthews, which should boost group sales by a fifth with a much reduced overhead now that it has been relocated into the group's Black Dyke Mills. At 51p the p/e is just short of 8 on stated earnings while the yield is 6.5 per cent.

Woodhouse & Rixson ends £0.4m in red: payout cut

THE SECOND HALF at Woodhouse & Rixson (Holdings) failed to produce the hoped-for improvement and the company has reported a pre-tax deficit of £444,000, against £643,000 profit, for the year ended 1983.

There will be a reduced final dividend of 0.25p, down from 0.75p, producing a lower 0.75p total, against 1.5p.

Turnover fell by 31 per cent to £8.61m, reflecting the depressed state of the company's principal sectors, state the directors.

Interest took £100,000, against £135,000, and there was a tax credit of £93,000 (debit £290,000).

An extraordinary debit of £336,000 (£30,000) included a £232,000 deferred tax charge as a result of the Budget changes. The remainder was connected with the attempt to achieve rationalisation within the ferrous rings rolling and light open die forgings sectors.

This scheme, involving seven companies of which W & R was the leading participant, was finally turned down by the Department of Trade and Industry earlier this month. Professional fees of £32,000, included in the extraordinary items, were in connection with the proposed ring rolling rationalisation.

The cancellation of the scheme prompted the board to reconsider the company's position, and in order to acquire a business with similar interests it is disposing of a number of peripheral concerns, including the flanges and wicker wire products divisions. The provision to write down assets at flanges was £72,000, again included in the extraordinary item.

Trading in the first quarter of 1984 has shown a "marked improvement," and the board reports a significantly better cash position in the current year.

Vaux ahead despite fall in draught beer demand

INTERIM pre-tax profits of Sunderland-based Vaux Breweries edged ahead by £168,000 to £4.55m and the company is lifting its net interim dividend from 3.025p to 3.4p per 25p share.

Improved profits from Swallow Hotels and from increased sales of packaged beers more than offset the effects of a fall in draught beer sales in the post-Christmas period.

Sales of wines and spirits also continued to make progress but Mr Paul Nicholson, the chairman, says it is too early to make a forecast for the full year.

He points out, however, that indications look particularly encouraging for Swallow Hotels and that the directors have high hopes for greatly improved draught lager sales following an agreement being negotiated to brew Tuborg lager.

Shareholders are told that the group's first "all day" public house, opened in Middlesbrough last December, has traded well ahead of expectations. Vaux has recently opened the fourth Swallow Hotel "pool and leisure centre" and Mr Nicholson says several more of these developments are in the pipeline.

Turnover for the opening half, to March 17 1984, improved by £7m to £55.3m and trading profits totalled £4.55m, compared with £4.36m. Finance charges absorbed £577,000, against £510,000. Related companies share of profits rose to £376,000 (£340,000).

Tax accounted for £1.69m (£1.74m) but did not include any provision for deferred tax which may result from the Budget proposals. It is considered that any such provision would not be charged against the ordinary profit for the year.

COMPANY NEWS IN BRIEF

Profits before tax of property investment concern Warner Estate Holdings advanced from £1.22m to £1.51m in the six months to end-March 1984.

Earnings per 25p share moved ahead to 7.87p, against 5.79p, and the interim dividend is being lifted by 25 per cent to 5p net.

Turnover for the period was higher at £5.32m compared with £4.4m. Profits were subject to tax of £677,000 (£576,000), and minorities totalled £6,000 (£5,000).

Net proceeds of sales of houses and flats totalled approximately £1.06m after a tax deduction of £190,000. During the period the company purchased 40,000 of its shares at an average price of 453p.

* * *

The second half performance at Porter Chadburn, manufacturer of brewery and marine engineering equipment, which produced a pre-tax profit of £20,600 against a comparable loss £314,000, was roughly in line with the break-even predicted at mid-way.

Figures to the year ended January 6 1984, show a pre-tax loss reduced from £545,000 to £157,000, the company's third consecutive deficit. The final dividend of 0.35p is unchanged. There was no interim.

Turnover declined from £13.56m to £12.85m but produced an increased gross profit of £1.46m against £1.02m. At the operating level the profit was £108,000, against a loss of £231,000, including operating income £17,000 (£23,000) but after distribution costs of £82,000 (£73,000) and administration expenses of £1.29m (£1.2m).

Exceptional expenses, relating to on-going activities, took £30,000 against £68,000 and interest absorbed £235,000 (£246,000). Tax was unchanged at £7,000. There was an extraordinary debit of £880,000 last time. Losses per share were 5.18p (17.19p).

* * *

First half profits fell by £32,712 to £820,318 at G.B. (Holdings), which is primarily engaged in sheepskin and fur processing and manufacturing.

Turnover for the six months to end-December 1983 rose from £10.5m to £14.85m. The group also operates Graysbott Hall which provides health and leisure facilities.

The interim dividend is held at 1.6p net with earnings per share little changed at 10.9p (10.8p).

Tax took £385,000 (£325,000), and after minorities and all dividend payments the retained profit balance is £384,898 (£379,605).

* * *

Net asset value per 25p ordinary after deducting prior charges at par of Anglo Scottish Investment Trust moved ahead from 145.4p to 155.3p in the six months to March 31 1984, and compares with 133.3p a year ago.

The interim dividend is stepped up to 1p (0.9p) and the directors expect to at least maintain last year's final payment of 1.7p.

Net pre-tax revenue for the period amounted to £718,000, against £585,000 for the comparable six months. Dividends and interest received totalled £1.1m (£933,000) and underwriting commissions were £2,000 (nil). Earnings per share came to 1.33p (1.13p) after tax of £284,000 (£217,000).

* * *

Net asset values at Border & Southern Stockholders Trust rose in the six months to March 31 from 166.8p to 185.5p prior charges at par and from 167.7p to 186.4p prior charges at market value.

As already announced the interim is unchanged at 1.3p.

Net revenue is down from £1.55m to £1.5m, due to the increase in the overseas content of the portfolio. This, coupled with the effect of the recently issued debenture stock, may result in reduced revenue for the full year.

Total income was £2.75m against £2.57m. Expenses and interest absorbed £423,000 (£373,000) and tax took £526,000 (£1.03m).

* * *

Mr N. R. Lyle and Mr I. Jacob, of Thornton Baker, were appointed receivers of Modern Engineers of Bristol (Holdings) and its subsidiaries on May 8.

The group is engaged principally in structural engineering, including the design, fabrication, metal treatment and the erection of steelwork.

MINING NEWS

Amax sees a year of recovery

BY KENNETH MARSTON, MINING EDITOR

MR PIERRE GOUSSELAND, chairman of the U.S. Amax diversified natural resources group, was as optimistic as ever at the Goldsmith's Hall in London yesterday. Encouraged by the company's return to profitability in the first quarter after two gloomy years in the red he was again moved to quote Shakespeare; inevitably, "As You Like It."

"Sweet are the uses of adversity, which like the toad, ugly and venomous, wears yet a precious jewel in his head." Condescendingly, for a Frenchman who has more than a sneaking suspicion that a French nobleman at the court of Henry III had something to do with the works ascribed to the Swan of Avon, he added: "Shakespeare was right."

Amax, he said had endured depression to discover "the jewel of greater productivity." At all events, the company expects to achieve a further improvement in profits for the current quarter, helped largely by its aluminium and energy interests.

Mr Gousseland told an investment community audience that since the beginning of this year Amax has reduced its debt by a further $200m (£144m). However, depending on the course of metal prices, it will take until after the end of the year for the total debt to be reduced to acceptable proportions.

Amax is prepared to sell non-mainstream assets, such as the lead and zinc operations, provided the price is right, and some are expected to be disposed of before the end of 1984.

The important molybdenum operations continue to run at a loss although on the company's present metal price projections there are hopes that the break-even level may be approached at around end-year.

At all events, Amax has the advantage of being a low-cost producer and, as already reported, has reopened its Henderson and Climax molybdenum mines in order to rebuild stock levels.

Creditanstalt-Bankverein, the leading Austrian bank, is spending some $75m in acquiring a 4.8 per cent stake in Amax as part of the deal whereby British Petroleum has been required to dispose of its 6.5 per cent holding in Amax in order to conform with the requirements of the U.S. Federal Trade Commission.

The bank has the option to deliver, from time to time, Amax shares in payment for molybdenum products in conjunction with a long-term molybdenum supply contract with its metal trading subsidiary, Treibacher Chemische Werke. Mr Gousseland stressed that the bank is not subject to any financial risk under the arrangement.

He said that the joint venture with Britoil was welcomed by both parties. It would open up the opportunities for expansion, both by exploration and acquisition, in U.S. oil and gas.

So far, drilling had shown "a 100 per cent rate of success with no dry holes," but Mr Gousseland was not to be drawn on how much drilling had been carried out. This may be announced shortly.

In all, the outlook is encouraging for Amax although how much so depends on the course of world economies in general and metal prices in particular. But hope is stirring and: "Hath not old custom made this life more sweet than that of painted pomp?" Or hath it?

Mixed showing from Far East tin producers

TIN concentrate output figures from the Far Eastern tin producers for April make a mixed showing, partly because of the restrictions on export sales imposed by the International Tin Council in its efforts to support the metal price by removing the surplus stocks overhanging the market.

The major group, Malaysia Mining Corporation and its subsidiaries, raised production last month to 434 tonnes, but the total for the first three months of the current financial year is lagging at 1,272 tonnes against 1,429 tonnes in the same period of 1983.

Similarly, Berjuntai did better last month but the total for the full financial year comes out at 2,050 tonnes against 2,397 tonnes. But Tronoh increased output in April and is so far running ahead of last year with a four-month cumulative total of 141 tonnes against 131 tonnes.

On the other hand, lower production for April is reported by Aokam with a cumulative 10-month total of 981 tonnes against 875 tonnes a year ago; Ayer Hitam with a total for the same period of 1,097 tonnes against 947 tonnes; and Tongkah Harbour with 497 tonnes against 334 tonnes.

The latest monthly output gures are compared in tha following table.

	April tonnes	March tonnes	Feb tonnes
Aokam	78	128	112
Ayer Hitam	92	127	128
Berjuntai	173	148	168
MMC	434	412	428
Sungei Besi	51	61	43
Tongkah Harb.	47	88	39
Tronoh	41	38	28

In the Gopeng group, Gopeng itself produced less last month and its total for the past seven months comes out at 873½ tonnes against 947½ tonnes a year ago. Mambang has a four-month total of 132¼ tonnes against 119¾ tonnes and Idris comes out with a four-month total of 50 tonnes against 27½ tonnes.

	April tonnes	March tonnes	Feb tonnes
Gopeng	119¾	132¼	112½
Mambang	23	33¼	30½
Idris	6¾	11¾	13½

Hemlo farm-in deals secured by Gold Fields

A FARM-IN deal has now been reached between Consolidated Gold Fields and a group of small Canadian companies headed by Mr Murray Pezim, the Vancouver promoter, in the Hemlo area gold camp in north-western Ontario.

Essentially, the deal gives Gold Fields the opportunity to carry out prospecting work in the area for a relatively modest outlay and to have an option to acquire a 100 per cent interest in the companies' properties.

The companies stand to receive a net profits royalty of 25 per cent in the event of the prospecting work leading to a producing mine. They are: Autocrat Resources, International Corona Resources, International Laco Resources, International Rhodes Resources, Rabbit Oil and Gas, Triple-Crown Resources and Youngman Oil and Gas.

*

Canada's Falconbridge proposes a C$8m offering of "flow-through" common shares to provide funds for this year's mineral exploration. Subscribers to the issue in Canada who have sufficient net income for income tax purposes will be entitled to claim tax reductions of 133⅓ per cent of the offering price per Falconbridge unit.

MINING NEWS IN BRIEF

SOUTH AFRICA'S Transvaal Consolidated Land and Exploration has earnel a net profit of R39.7m (£22.5m), or 354 cents per share, for the half-year to March 31 compared with R37.5m in the same period of a year ago. The interim dividend is maintained at 75 cents; the total for 1982-83 was 280 cents. The company expects to maintain the dividend total for the current year but warns that profits may not match those of 1982-83.

*

Canada's Northgate Exploration lost C$738,000 (£410,000) in the first quarter following a loss of C$2.8m in the final three months of last year.

The gold, base metal and energy group is to acquire approximately 50 per cent of Canadian Pioneer Oils, a small company into which Northgate is to transfer its existing oil, Canadian and U.S. oil and gas properties.

It is planned to develop Canadian Pioneer as a small, but growing, independent resource company.

*

In conjunction with the Canada Development Investment Corporation the state-owned uranium mining and processing Eldorado has completed a preliminary assessment of its prospects with a view to returning the company to the private sector. Mr N. M. Ediger, the chairman, describes the uranium market as "maturing, growing and highly commercial."

*

South Africa sold minerals worth R1.49bn (£850m) in January, up from the R1.24bn for December, according to the latest statistics from the country's Department of Minerals and Energy.

Gold headed the list with 54,790 kilogrammes worth R967.25m, and coal was the second most valuable commodity with 12.72m tonnes produced, of which 2.56m tonnes worth R108.8m were exported.

Better performances from the Canadian and Brazilian iron ore producing affiliates helped Hanna Mining of the U.S. to return to profit in the first quarter of 1984. The latest net profit was US$1.09m (£779,000).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
AE ...int	1.75	July 2	nil	—	1.4
Anglo-Scottish ...int	1	July 4	0.9	—	2.6
BOC ...int	3.15	Oct 3	2.73	—	6.3
Debenhams	5.3	Oct 2	4.76	7.5	6.8
Fairline Boats ...int	1.13	July 27	0.75	—	1.75
John Foster	1.75	July 10	1	2.25	1.5
Gerrard & National	9	June 9	7*	12	10*
Greenall Whitley ord int	1.93	—	1.79	—	4.03
Greenall Whitley 'A' int	0.39	—	0.36	—	0.81
G.R. (Holdings) ...int	1.6	July 5	1.6	—	7
King & Shaxson	5.75	June 15	5	8.25	7.5
Lloyds and Scottish int	1‖	July 6	1	—	3.87
Minty	2	July 13	2	4	4
North Atlantic ...int	1	June 22	1	—	3
Oceana Development	2	July 16	1.82	2	1.82
Porter Chadburn	0.35	—	0.35	0.35	0.35
Royal Bk. Scotland int	3.3	July 2	3	—	7.4
TR Technology	2.3	July 2	2.3	3.3	3.3
UEI	3.25	July 12	3.2	5.25	5
Vaux Breweries ...int	3.4	July 2	3.03	—	9.08
Ward White	†3.39	July 13	3.08¶	4.93	4.48¶
Warner Estate ...int	5	—	4	—	11
Woodhouse & Rixson	0.25	July 2	0.75	0.75	1.5

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ For 13 months. ‖ For 15 months.

BANK RETURN

BANKING DEPARTMENT

	Wednesday May 9 1984 £	Increase (+) or Decrease (—) for week £
Liabilities		
Capital	14,553,000	—
Public Deposits	549,378,887	+ 176,400,730
Bankers Deposits	687,072,775	+ 65,966,399
Reserve and other Accounts	1,561,386,562	+ 16,915,849
	2,812,391,164	+ 262,282,978
Assets		
Government Securities	457,523,419	— 30,896,000
Advance & other Accounts	692,763,610	— 10,891,282
Premises Equipment & other Secs.	1,756,504,611	+ 309,416,463
Notes	5,450,290	— 5,346,936
Coin	149,034	— 267
	2,812,391,164	+ 262,282,978

ISSUE DEPARTMENT

	£	£
Liabilities		
Notes Issued	11,820,000,000	+ 20,000,000
In circulation	11,814,549,710	+ 25,346,936
In Banking Department	5,450,290	— 5,346,936
Assets		
Government Debt	11,015,100	—
Other Government Securities	2,526,632,549	+ 288,312,272
Other Securities	9,282,352,361	— 268,312,272
	11,820,000,000	+ 20,000,000

BIDS AND DEALS

Bunzl unwinds Filtrona share link

BY ALEXANDER NICOLL

Bunzl, the paper and packaging group, said yesterday that it has agreed with American Filtrona of the U.S. on the unwinding of the two companies' holdings in each other.

The sale of Bunzl's 20 per cent holding in tha U.S. company, in which members of the Bunzl family still hold 42 per cent, would bring it £8.3m in cash aod would allow it to expand further in areas other thao its traditional manufacture of cigarette filters.

Mr Ernest Beaumoot, Bunzl's chairman, said the cross-holding began in 1967 and ceased to be justified when the last joint venture was dismantled in 1982. Although both companies continue to make cigarette filters, their directions bave diverged, he said.

Under the agreement, American *Filtrona will itself buy Bunzl's* holdiogs of 463,075 shares in it at US$25 (£17.98) each. Bunzl said this price compared with the current market price of $19.625 per sbare and that the total amount to be received, £8.3m, represented a £2.6m surplus over the carrying value of the investment in American Filtrona at the end of 1983.

Uoder the same agreement, American Filtrona has coodition-ally placed its 10 per cent holding, worth £14.72m, in Bunzl at a price equivalent to 517p per share. Yesterday, Bunzl shares closed unchanged at 538p.

The agreement is cooditiooal on approval by Bunzl shareholders both at the sale of the American Filtrona sbares and of a previously announced ooe-for-one scrip issue at Bunzl's anoual geoeral meeting to be beld May 30.

Bunzl said that in 1983 its stake in American Filtrona contributed £1.275m to its pre-tax profit but only £357,000 in dividends, and that investment of the cash from disposal of the holding would enable it to earn a significantly higher return.

Mr Beaumont said despite Bunzl's diversification, cigarette filters still contributed importantly to its profit and that technical co-operation betweeo tha two companies would continue oo an ioformal basis. Uoder the agreement, they have agreed not to acquire sbares in each other for 10 years.

BIDS AND DEALS IN BRIEF

Tikkurila bas purchased a further 600,000 Donald Macpherson Group shares which together with the 1m already owned represeots 8.8 per cent of Macpherson's capital.

* * *

The directors of **Caparo Industries** bave entered an agreement to sell tha net assets of CMT Industrial Supplies (UK), a wholly-owned subsidiary, for £3.2m cash. The purchaser is a company controlled by Messrs J. D. Popplewell and J. Wilson, executive directors of CMT.

* * *

Birmid Qualcast, the Potterton boilers, lawnmowers and foundries group, has revealed that Tatich Finance Inc of Panama, registered in Switzerland, bas acquired 5.08 per cent of its shares.

The benaficial owner of the stake has not been revealed, despite efforts to uncover the identity of beneficial ownership by Birmid's brokers.

* * *

Croda International has acquired R. Castelein and Co NV of Antwerp, maoufacturer of adhesives and sealaots for the building, flooriog and packaging trades. The acquisitioo is not significant in terms of the total assets of Croda International.

* * *

Bishopsgate Trust has received an approach which may lead to an offer for the company.

* * *

Expamet International has acquired Bristol-based Signfix, manufacturer of patented steel clips and fastenings, for £657,055 to be satisfied by £239,055 in casb and 440,000 ordinary shares. Additiooal deferred consideratioo, equal to seven times the increase in 1984. Pre-tax profits over 1983's adjusted figures is also payable.

* * *

Video Brokers, quoted on the over-the-counter market by Harvard Securities, has agreed to acquire **Video Showcase**, in a deal valued at £2.2m. Video Showcase distributes complete video rental libraries to non-specialist outlets such as supermarkets, off-licences and newsagents.

The acquisition will be funded via the issue of 13m oew Video Brokers ordinary shares, of which 10m will be issued on completion. The balance will be issued to the vendors upon Video Showcase achieving warranted pre-tax profits of £250,000 for the 12 months to October 31.

To provide additional working capital for the enlarged group, a rights issue is to be underwritten by Harvard. An EGM will shortly be convened to *authorise the acquisition and the* issue.

* * *

Negotiations which were expected to lead to the sale of an 80 per cent interest in **Voyager Petroleum UK** and a subsequeot offer for the minority shares have been broken off, the directors state.

* * *

Milbury has announced that it has acquired the 54 acres of residential building land, and work in progress of E. G. M. Cape for a total consideration of £4.65m. The land is apread over seveo sites, five in the north west and two in the *midlands*, comprising 436 plots.

Milbury consider that the 45 forward sales which have been taken over will mean thare will be an immediate contribution to the current year's profits.

Hallmark Card's offers for **W. N. Sharpe Holdings** have become wholly unconditional. Acceptances have now been received io respect of 5,379,673 ordinary shares (96.33 per cent) and 1,583,698 "A" non-voting ordinary shares (89.98 per cent).

* * *

Sir Joseph Causton reports that the maximum further consideration of £794,471 has become payable in respect of the *acquisition* of 75 per cent of **Headway Publications**, which brings the total consideration to £1.5m.

This further consideration will be satisfied as to £97,973 by the issua of 132,995 ordinary shares and £696,498 cash.

Newbold & Burton shares rise 27p after bid approach

Newbold & Burton Holdings, the Leicestershire-based ladies footwear manufacturer, revealed yesterday that it had received an unsolocited approach which it said may or may not lead to an unsolicited approach which issued share capital.

The announcement pushed Newbold's share price up by 27p yesterday to 133p which gives a market capitalisation of £5.6m against net worth at the December year-end of £3.2m.

Newbold recovered strongly last year with profits of £462,000 before tax, against £118,000, to which the group has attributed the largest factor as being the turnround from "serious loss" to profit at the dominant Newbold Burton subsidiary.

This operation is said to have achieved a "lower and sounder cost base, combined with improved quality standards, which has greatly added to confidence throughout the group."

The largest shareholder, at the balance sheet date, was ITC Pension Trust which, belding 214,480 shares, accounted for just over 5 per cent of the equity.

SHARE STAKES

Alfred Preedy—Acting in concert R. T. C. Whatmore, of the Channel Islands, together with selective investors of the Channel Islands, control 5.01 per cent of the company.

Brown and Tawse—Mr S. D. Rae has increased his holding to 1,218,444 shares (5.82 per cent) as a result of the following transactions: being interested in *a further 25,000 ordinary shares* following the purchase by a trust of which ha is trustee, tha trust of which he is trustee selling 3,000 ordinary shares and his selling 5,000 ordinary shares.

Freemans: Provident Mutual Life Assurance Association *has* increased its ordinary holding to 4,325,000 shares (6.12 per cent).

J. Crowther Group: Holding of 1,515,000 ordinary in the company owned by Nashville Investments Inc bas been sold.

Assam Dooars: Western Dooars Tea Holdings has acquired 13,950 ordinary shares and now holds 233,530 ordinary (22.89 per cent).

Plan Invest Group—Holding of 6.36 per cent has been built up by Edinburgh Financial Trust.

Arlen Electric—Malcolm Mutkin, a director, has disposed of 27,700 ordinary shares and retains an interest in 52,520 shares.

Pentos—J. R. Clark, a director, exercised his right to acquire 20,680 deferred ordinary shares granted to him under the company's share option scheme.

Joseph Webb—J. Webb, a director, and his wife have disposed of 27,600 ordinary shares to members of his family.

Myson Group—J. G. Salkeld, a director, has disposed of 98,888 ordinary shares reducing holding to nil.

Minet Holdings—J. A. Crow, a director, has sold 29,615 ordinary shares.

Victoria Carpet Holding: P. J. Anton, a director, bas purchased 185,000 ordinary shares from Hong Kong and Shanghai Bank Trustee (Jersey). C. G. F. Anton, a *director*, has purchased 375,000 ordinary shares from Hong Kong and Shanghai Bank *Trustee (Jersey)*.

The Bath and Portland Group: *Drayton Consolidated Trust have* increased their bolding to 1,050,000 ordinary shares (5.4 per cent) by the purchase of 100,000 ordinary shares.

BBA Group—C. M. Fenton, managing director, has sold 40,000 ordinary shares.

Freemans—R. S. Chapman, director, reduced his non-beneficial interests by 159,663 ordinary.

Clive Discount Holdings—P. G. Wreford deputy chairman, sold 50,000 ordinary.

COMPANY NOTICES

COMPANY NEWS

Ladbroke expects continued growth in the current year

IN HIS annual statement Mr Cyril Stein, chairman of the Ladbroke Group, tells shareholders that the group made significant progress during 1983 and that there is reason to believe that this will be continued in 1984.

Predicting a record year for the group's hotels he comments that the value of modern hotel property has reached an "all-time high" and that it is the directors intention to revalue the group's hotels in the current year.

The report and accounts for 1983 show that Mr Stein received a pay rise of £38,000 to £97,000 for the year.

In 1983 new capital expenditure totalled £64.5m. This was in respect of licences, £8.1m, operating assets £27.2m, investment properties £23.7m and goodwill for new businesses £5.5m.

Fixed assets increased by £28.1m. Costs of the betting office and other licences are included under the heading of intangible assets.

The directors say present market prices being paid to acquire existing licences are much higher than at the time of the majority of the group's acquisitions so that the book amounts are, in their opinion, substantially below real worth.

The value of investment properties has risen as a result of the net cost of new properties introduced and of a directors' re-valuation which has given rise to a surplus of £5.4m which, less minority interests, has been credited to reserves.

Total net assets per share are put at 149.6p(up from 144.1p.

COMPANY NEWS IN BRIEF

Despite an £83,000 turnround to £12,000 profits in the first half Minty, furniture manufacturer, finished the January 28 1984 year with a slightly lower taxable surplus of £19,600, compared with £21,210.

The dividend is maintained at 4p net per 25p share with a same-again final payment of 2p. Earnings per share are given as 10.75p (5.29p) after tax credits of £23,727 (£54,612). Turnover amounted to £3.49m (£3.42m).

* * *

After providing for rebate, tax and a transfer to inner reserves, King & Shaxson reports lower profits of £1.1m, against £1.5m, for the 12 months to April 30 1984.

The company is a banker and dealer in sterling and currency bills of exchange, sterling and dollar certificates of deposit, British Government stocks and local authority honds.

A higher final dividend of 5.75p (5p) is recommended, lifting the total by 10 per cent to 8.25p.

A transfer of £200,000 (£500,000) has been made to general reserve

The balance on the profit and loss account has increased from £2.57m to £2.69m, and total pnblished resources have moved ahead to £9.19m (£8.87m).

* * *

TR Technology Investment Trust increased its net asset value per 25p ordinary from 183.6p to 218.6p, after deducting prior charges at par, in the year to end-March 1984.

Total income was £242,000 higher at £8.44m, but debenture and loan stock interest payable rose to £1.45 (£455,000) and administration expenses took more at £644,000 (£490,000).

Tax amounted to £2.62m (£2.91m), after which earnings per share were 3.31p (3.89p).

At the year-end, some 86 per cent of its portfolio was invested in the technology sector. The geographical spread of investments was U.S., 42 per cent, UK, 28 per cent and Japan 27 per cent.

A one-for-one scrip is proposed.

* * *

Over the year to March 31 1984 net asset value per 25p share of Oceana Development Investment Trust rose hy 9.6p to 66p and for the same period net revenne improved from £29,233 to £34,678 after tax of £18,679, compared with £6,347.

Earnings per share moved ahead to 6.58p (5.54p) from which the dividend is being lifted to 2p (1.82p).

APPOINTMENTS

NatWest regional director

Mrs Alison Newell, managing director of F International, and president of the Computing Services Association, has been appointed to NATIONAL WESTMINSTER BANK'S south-east regional board. Mrs Newell serves on the CBI Central Council and is the bank's second woman regional director (the first with computer experience).

*

Following the annual meeting of the ST. ANDREW TRUST, Mr A. Logan McClure, chairman, and Mr A. N. Balfour, retired from the board. Mr D. A. Ross-Stewart has been appointed chairman.

*

Following the acquisition of GB PAPERS by JAMES RIVER CORPORATION the following board changes have been made: Mr R. J. C. Fleming retires and Mr G. Wallace Adam is to succeed him as chairman. The Marquess of Douro has resigned folowing the sale in February 1984, of the Deltec Panamerica holding to James River. The following executives of the James River Corporation have been appointed to the board: Mr Brenton S. Halsey, chairman, chief executive officer, Mr Robert C. Williams, president, chief operating officer, Mr David J. McKittrick, senior vice-president and chief financial officer and Mr Richard W. Detrick, vice-president, marketing and strategy. Mr R. C. Williams has been appointed as deputy chairman. Mr C. N. Henderson, general manager of GB Papers and Mr A. P. D. MacLaurin general manager of Smith and McLaurin, have also been appointed directors. Mr J. E. Boyd and Mr J. Dick will continue as non-executive directors. Mr Detrick will oversee the operations at both mills and co-ordinate activities with other James River operations.

*

Following the annual meeting of the SCOTTISH EASTERN INVESTMENT TRUST, Mr A. Logan McClure, chairman, retired from the board. Mr Norman Lessels has been appointed chairman.

*

Mr T. R. M. Kinsey has been appointed chairman of THE BIRMINGHAM BATTERY AND METAL COMPANY, and Mr E. J. Pearce has been appointed company secretary on the retirement of Mr H. Annandale.

*

Mr Ian Stormont Doughty has been appointed works director at COLDFLOW, a subsidiary of the British Syphon Industries group.

*

Mr George Tembe has been appointed commercial director of JOHNSON MATTHEY EQUIPMENT, a subsidiary of Johnson Matthey, specialising in gas generation and purification systems. He was formerly product manager at JME's sister company, Johnson Matthey Metals.

*

BRITANNIA ARROW HOLDINGS has appointed Mr A. N. Solomons as a director and as deputy chairman. Following acquisition of a controlling interest in Singer & Friedlander Mr Geoffrey Rippon, Mr K. P. Ney, Lord Lever of Manchester, Mr M. H. Newman, Mr S. A. Goldsmith and Mr P. C. Baker have been appointed to the board of that company.

*

Mr Martin J. Clegg has been appointed managing director of NACANCO. He was vice-president and general sales manager of the metal container division of National Can Corporation of Chicago, of which Nacanco is the UK subsidiary.

*

Mr John T. Flanagan Jr has been appointed a director of MOBIL OIL with responsibility for planning and supply. He succeeds Mr Brian R. Baker, who has become director of manufacturing operations and manager of Mobil's UK refinery at Coryton.

*

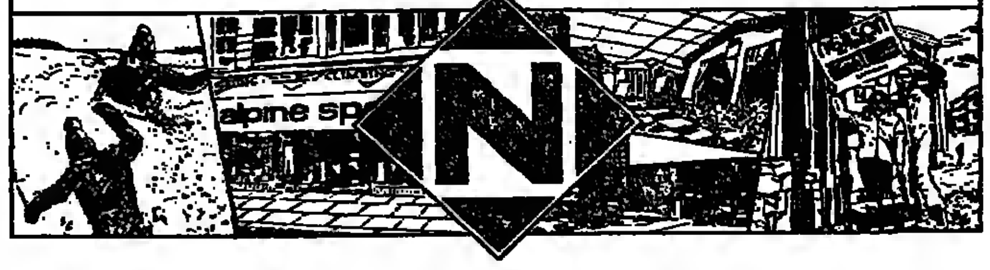
Mr David Young has been appointed chairman of HAMILTON RENTALS and Mr Ray West managing director. Other directors are Mr N. A. Gaunt, Mr H. K. Fitzgerald, Mr D. Shearer and Mr W. H. Young. The company has been set up by Duncan Lawrie and the Hamilton Group of Ontario to expand Hamilton's computer rental operations in Western Europe.

*

Mr Peter R. Jones has been appointed a non-executive director of DANKS GOWERTON. He was a partner in Touche Ross and Co until his retirement two years ago. Mr T. J. Roe has resigned from the board of Danks Gowerton and all its subsidiaries.

*

Mr M. C. W. Wildy, vice-chairman of Booker McConnell, has joined the board of J. W. SPEAR AND SONS as a non-executive director.



THE PROPERTY MARKET BY JOAN GRAY

Wiltshier in £18m U.S. development

UK construction company, John E. Wiltshier, is building an £18m ($24.8m) high-tech office and research development at Princeton, New Jersey, and is looking for tenants through agents St Quentin.

The project, called the International Corporate Centre, is being financed by the Wiltshier group together with a small UK consortium.

The 20-acre development is 50 miles south-west of New York, and 30 miles from Newark International airport.

Nearby companies include Merrill Lynch and IBM. The first company to take space on the site is Gillespie Advertising, with five acres.

Mr Chris Kershaw, the St Quentin negotiator handling the site, said the company was looking for tenants who wanted space in multiples of 5,000 sq ft at £13 ($18) per sq ft.

Modules can be combined up to a 90,000 sq ft building—and, said Mr Kershaw, if a client wanted a single 180,000 sq ft building, this would be possible by amalgamating with the planned second-phase.

Danish architect Friis and Moltke have designed the development as a combination of offices and modular research and development areas.

Sites east of London a fraction of the cost of land to the west

Developers go east to escape golden triangle

AS MR PATRICK JENKIN, the Secretary of State for the Environment, urges developers to go east to take the pressure off the golden triangle lands to the west of London, three companies are making large industrial and commercial sites available near the M25, within 20 miles of the City—and at a fraction of the price of land to the west.

The first big site to become available is RTZ's Tunnel Estate at West Thurrock, by the M25 at the north end of the Dartford Tunnel.

The Tunnel Estate is 150 acres of reclaimed chalk and cement works which the company hopes to sell leasehold in plots of one to five acres for between £125,000 and £150,000 an acre, with possible reductions for larger sites.

"We are negotiating leases based on a capital land value estimated at £150,000 per acre when the M25 is finished," said RTZ Estates managing director Mr Don Sharman.

This compares with a minimum of £200,000 an acre to the west of London, rising to £800,000 an acre for the most favoured sites near the airport.

"So it is cheaper than the golden triangle and when the M25 is completed it will be only an hour's drive away from the west side," said Mr Sharman.

Heathrow, Gatwick, Stansted, and Luton airports will all be within direct motorway access of the Tunnel Estate when the M25—London's orbital motorway—is completed in 1985.

The estate also has its own private railway sidings linking it to the British Rail London to Tilbury main line, and a deep water jetty on the Thames offering cargo handling facilities for ocean going vessels of up to 35,000 tonnes.

And with a local unemployment rate running at 13 per cent, the area offers an available workforce as well as good communications.

The latest 60-acre phase of the Tunnel Estate RTZ is now aggressively marketing—with helicopter trips for prospective clients to view the site—has full planning permission for industry and warehousing.

Detailed planning consent will be needed for each development but, said Mr Sharman, "this will not be contentious. The local authority, Thurrock borough council, wants to attract additional industry and is as positive as you could get."

Occupiers on phase I of the Tunnel Estate include Pilkington, Tarmac and Calor Gas, and RTZ is hoping for similar blue chip companies for phase II.

RTZ has spent £9m reclaiming the Tunnel Estate site, which until 1976 was one of its main cement works producing 1.25m tonnes a year and employing 700 people before it shut because it had become obsolete.

The 40 tenants now installed in phase I — the old cement works — employ 600 people between them, and RTZ expects the 60-acre phase II — the reclaimed chalk quarry land—to employ 720 people (based on an estimate of 12 jobs an acre), though this will depend on the type of occupier the site attracts.

With another £3m needed to clear the remaining cement works for phase III, RTZ will have spent a total of £12m reclaiming the site. No government grants were available for the work so far, said Mr Sharman "because the money tends to be deployed where there are no redeeming features and our consolation is the M25.

"But we went ahead anyway because we believe in not only clearing up after ourselves but laying the table for the next meal."

Demand for space on the Tunnel site is already encouraging, according to Mr Michael Cleasc of agents Jones Lang Wootton, who are handling the estate for RTZ. Talks are in progress with 10 prospective buyers, he said, with requirements ranging from seven-acre sites to one prospective client interested in the whole 60 acres.

Despite this level of interest,

Mr Don Sharman, managing director of RTZ Estates

Jones Lang Wootton still regard it as debatable whether the east side of London will ever become as popular as the more prestigious golden triangle to the west, which is also nearer London airport and markets to the north and west.

Mr Peter Mantle, the partner in charge of the industrial side of JLW, is tipping the east as a favoured site for distribution companies rather than for the high tech companies which are already clustering in the west.

"But these sites are tremendously cheap at the moment, and when the M25 ring is complete people are going to be amazed how quickly they can get from east to west and we are expecting a steep increase in the land price," said Mr Mantle.

Next to RTZ's Tunnel Estate is Whitehall Securities' 190-acre Lakeside Estate. This is also on reclaimed workings (the eponymous lake is a water-filled quarry) and also has planning permission for industry and warehouses.

The Lakeside Estate is being handled by joint agents Pepper Angliss and Yarwood, and Savills (where prospective inquirers should make it quite clear they do not require the agent's country house department).

Savills has had "substantial interest" in the Lakeside Estate so far, with inquirers including three prospective clients wanting more than 100,000 sq ft each—though Mr Jeremy Aitchison, the agent handling the site, admits they were pipped to the marketing post by Tunnel Estates.

"We've got a lot of interest from people who want big distribution depots next to the M25 and don't want to pay between £4 and £5 a square foot on the west of London," he said. "Here, we're talking about £3 a square foot, or possibly less on a big unit."

Unlike RTZ, which is selling 125-year ground leases, Whitehall Securities is not selling land on the Lakeside site but is only letting finished buildings to tenants.

Lakeside Estate will include retail development as well as factories and warehouses. The site has planning permission for a 100,000 sq ft Tesco hypermarket, a 35,000 sq ft DIY shop and 10,000 sq ft garden centre, with the long-term plan being to have four or five 35,000 to 45,000 sq ft retail units in an American-style complex.

If all Blue Circle's holes in the ground for quarries and cement works were laid circumference to circumference, it has been estimated they would cover an area the size of Bristol. The company is now developing its spent workings near the M25 in Essex and Kent to provida land for a ferry terminal, industry and housing.

Blue Circle has spent £10m reclaiming old workings by the Dartford Tunnel (opposite the RTZ and hWitehall Securities estates) to prodoce the 300-acre Stone Marshes site.

Industrial rents set to increase

THE LONG decline in inflation adjusted industrial rents should end in 1984, according to the latest forecast from Hillier Parker May and Rowden.

This points to a recovery in industrial rents, which are forecast to rise at an annual rate of 7 to 8 per cent over the next two years. That is faster than inflation, which the forecast expects to remain at between 5 per cent and 6 per cent a year.

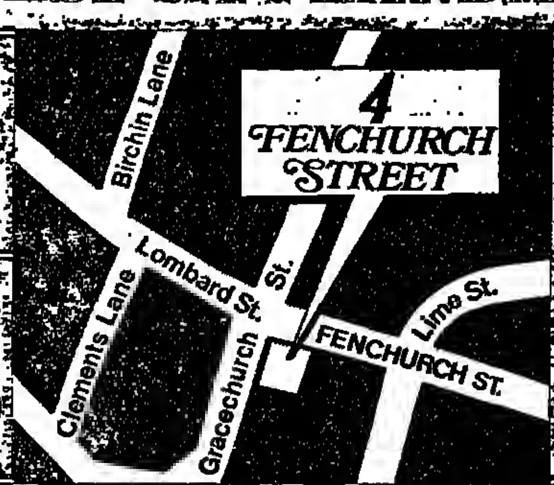
The forecast is based on the relationship between manufacturing output (lagged by one year) and industrial rental values.

The manufacturing industry has been deeply affected by the recession and so has industrial growth, says the report. The fall in inflation-adjusted rents has now lasted for four and a half years.

Porsche gets HQ approval

PORSCHE CARS of Great Britain has received detailed planning consent from Newbury District Council for its £9m UK headquarters and import centre by the M4 outside of Reading.

Construction is due to begin on June 1 and the company expects to move in during August next year.



INTERNATIONAL COMPANIES and FINANCE

Vitro weathers the Mexican storm

By William Chislett, recently in Mexico City

"THREE devaluations, galloping inflation, exchange controls, nationalisation of private banks and slumping markets at home and abroad were but the most visible challenges. Each one of them, taken by itself, would have taxed our abilities. Taken together they make up a complex environment, the adversity of which has no equal in the last half century of Mexico's industrial history."

So proclaimed Vitro, the major Mexican glass manufacturer and one of the country's largest industrial groups, in its 1982 annual report.

Today Vitro is an aberration in the hard pressed Mexican private sector. It is one of the very few companies still making a good profit and more rarely still paying dividends. Once looked down upon by other large industrial groups for being cautious and not seizing the opportunities presented by Mexico's short-lived, oil-fuelled economic boom from 1978-81, Vitro is now the envy of the private sector.

While other industrial concerns, most notably Grupo Industrial Alfa, the former flagship of the private sector, are now hanging on by the skin of their teeth after diversifying into all kinds of unrelated activities on the back of foreign borrowings, Vitro is reaping the rewards of its conservative

The envy of the private sector

policies. And these are based on what it calls "congeneric growth," or only diversifying into activities related to its principal business glass.

"Like everybody else we were optimistic in the golden years," says Sr Adolfo Larralde, Vitro's vice president for legal and banking affairs. "But because our management has always been conservative we did not expand into unknown areas which were not connected with the traditional core of our business, glass. As soon as the market recovers we will be in an excellent position."

Vitro's 72 companies produce flat glass, containers, glassware, fibres and silicates and have about 85 per cent of the overall Mexican glass market. It greatly increased its capacity in the boom years—in the process doubling its foreign debt to $750m. It now has idle capacity.

Some Vitro executives were lured away to Alfa which, like Vitro, is based in northern Monterrey, the bastion of the Mexican private sector. Alfa was paying higher salaries in a drive to get the best qualified management to run concerns it had snapped up in consumer and capital goods and tourism. After Alfa fell apart, some of these executives tried to return to Vitro, but the door remained closed unless they were prepared to start at the bottom again.

When the Mexican economy came unstuck in 1982, Vitro's caution meant it was in a good position to weather the storm ahead.

The company had always placed great emphasis on exporting, so it was able, with relative ease, to compensate for falling domestic markets by boosting exports.

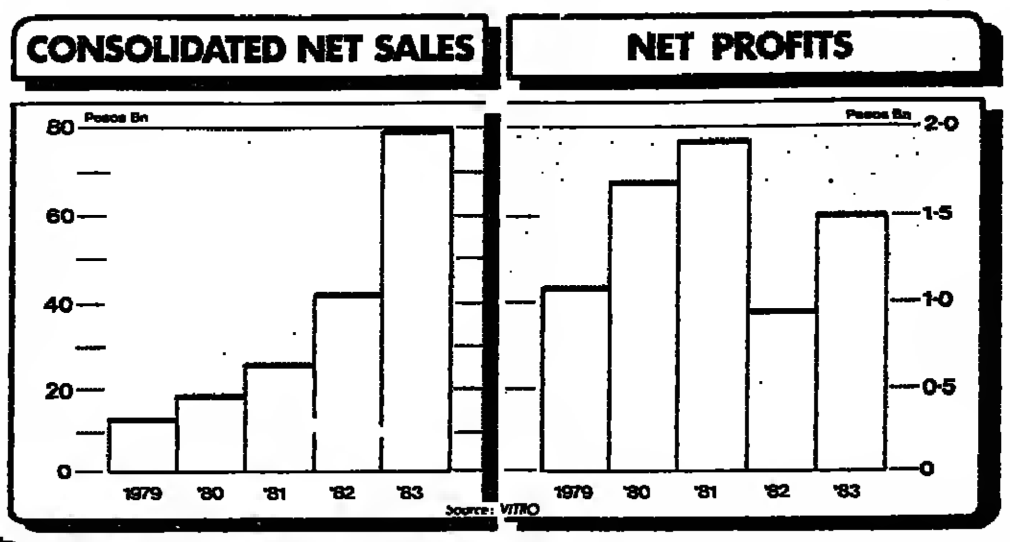
Sr Larralde comments: "It is all very well for the Government to say that the answer to all our problems is exports. But it is very hard to do. You might have an undervalued currency (which is the case at the moment) but this does not solve your problem in finding markets. You have to be present—like we have been—in markets over the years. Exports is not a switch you can simply turn on and off."

Nor has it been hit by the squeeze on imports. Since World War Two, when Mexico found it hard to obtain imported raw materials, Vitro has pursued a policy of "vertical integration." It has found nearly all of its raw materials in Mexico, apart from borax and soda ash, and it also now manufactures its own capital equipment.

Not even the nationalisation of its bank, Banpais, in September 1982 has made much difference to Vitro's operations, since it never relied on Banpais for more than 5 per cent of its peso loans.

"It has proved a sour thing to mix industrial and banking operations," says Sr Larralde. "We had a very strict line which consisted of not depending on Banpais but tapping many banks and letting our own bank make its money elsewhere."

Some banks — but not Banpais, Mexico's eighth largest —held major equity stakes in companies and now have the Government sitting on their boards.



Sr Larralde is worried by the Government's increasing encroachment on business. "The Government has extended its grip too much and it could choke the private sector anytime it wanted to. They control the unions, run politics (the Institutional Revolutionary Party has ruled for 54 years) and now they own the banks. This is a very dangerous tendency. The Government is no longer the guiding force behind the economy, as it likes to define its role, but the leading actor."

Heavily indebted Mexican companies—the debt servicing costs of some have risen 600 per cent in peso terms in the last two years—have restructured borrowings under a government scheme known as Ficorca. This scheme, a lifeline for many firms, enables companies to obtain dollars more cheaply than on the free market providing debts are restructured over a minimum six years with three years grace. It also gives the government a breathing space in providing dollars.

Vitro would have preferred not to have joined the scheme, instead going on making repayments of borrowed principal as originally scheduled. But the Bank of Mexico insisted that the company enter Ficorca, saying that otherwise it would not guarantee dollars.

However, once pushed into this "forced" restructuring last June, Vitro quickly realised which way the wind was blowing.

Foreign banks, unhappy at seeing short-term money turned into long term and trying to make up for being too optimistic about Mexico, tried to "gouge" high spreads out of companies for restructuring debts.

Vitro therefore capitalised on its carefully nurtured relations with its foreign banks (Sr Larralde visits his leading creditors once a year after the annual shareholders' meeting) and itself appointed a steering committee of banks to restructure $528m of its $750m debt. As Sr Larralde puts it: "We saw what was going on in other companies so instead of letting a group of banks impose a steering committee on us, we elected it. The banks were nervous and head offices were putting pressure on their representatives here." Vitro chose a broad group of 15 bank creditors, including regional ones, which are generally excluded from such committees.

The result was that its restructuring talks went smoothly and Vitro obtained a favourable spread of 2 per cent over the London Interbank offered rate.

Sr Larralde believes the current Government's exchange rate policy is more intelligent than the one pursued by the previous one. But he is still wary. "The Government has traditionally overvalued the peso. We still do not know for sure if they have learned a lesson from the last Government."

Vitro has been quick to capitalise on the dramatic situation faced by breweries, soft drinks producers and processed food manufacturers which have been hard hit by the extra cost in peso terms of importing aluminium for cans and are switching to bottles.

By adapting some of the machines in its container section to account for extra needs, Vitro has boosted production in this sector to 85 per cent of capacity. This has helped to compensate for the slump in its tableware section, which is operating at 60 per cent of capacity.

Vitro, which has always made a point of keeping abreast of the latest technological changes through linking up with the big names in the glass world, including Pilkington Brothers, the UK concern, has also managed to reduce its downtime on machines when moulds are changed.

"We have been able to design some machines which can make six different shapes," says Sr Larralde. "We are very efficient even on short runs. Time is valuable in a fully automated process."

At the same time, Vitro is switching from returnable to non-returnable bottles. The company found that the use of returnable bottles presented it with marketing problems. It is now producing a standardised non-returnable bottle which enables it to have long runs of up to 10m containers a day.

Vitro is exporting the returnable bottles it used to make for the Mexican market to the U.S. and on top of this it is running a rather surreal campaign around Mexico asking people to hand in their non-returnable bottles so that the glass can be recycled.

Vitro is placing greater emphasis on exports through its established trading company. Some 40 more managers have been hired to pursue its markets in Europe, Latin America the U.S. and the Middle East and make use of the excess capacity. Its joint venture windscreen company with Ford, Vitro Flex, is exporting virtually all its output to the U.S. as the Mexican car market is very depressed.

Vitro now finds itself with substantial pesos in excess of its operating needs. Last year this surplus amounted to P15bn and this year the cash in hand could rise to P40bn when it is compensated by the government for the takeover of Banpais.

But being cautious, Vitro is taking its time in deciding what to do with this cash.

"The banks are awash with pesos as nobody is investing. The Government is trying to lend the private sector money for any project it wants in order to increase employment and get the economy moving again. Apart from the fact that interest rates are high, what project can you start in markets as depressed as they are in Mexico? If you have idle

Greater emphasis on the export market

capacity and you have set your policy, as we have, nt not diversifying into non-glass related activities we might be better off lending the banks our money."

Vitro could use some of its extra cash to pre-pay some of its debts under the Ficorca scheme or reactivate several projects which have been frozen, like its gas turbine venture with Westinghouse.

The company insists that this venture does not go against its "congeneric policy" since it is already making equipment in the same field for its own plants.

However, Vitro is unlikely, given the wisdom of its actions so far, to stray much beyond its proven fields. After all, Mexicans are said to consume more soft drinks per head than any other people in the world And with a population of 73m growing by 2m a year Vitro has a captive market.

FINANCIAL TIMES
Friday May 11 1984

WALL STREET

Resilience despite the caution

FINANCIAL markets traded cautiously on Wall Street ahead of the outcome of the auction of $4.75bn in 30-year Treasury bonds, *writes Terry Byland in New York.*

After some initial nervousness, the bond markets settled down, with pre-auction trading showing the bonds at a yield of around 13.29 per cent, slightly higher than predicted earlier this week. The stock market showed resilience in the face of the interest rate uncertainty but investors were unwilling to push prices higher while awaiting the official announcement from the auction.

Turnover continued very active, with 21.7m shares traded in the first half bour wben the market was firm.

The Dow Jones industrial average closed 1.67 up at 1,187.19.

A further cause for nervousness was provided by renewed rumours of financial problems at Continental Illinois, the Chicago-based bank plagued by its sizeable volume of non-performing assets. Stock in Continental Illinois fell $1 to $12½ in beavy turnover which took the shares to the head of the active list in mid-morning.

Another symptom of the disquiet was the widespread selling of bank Certificates of Deposit (CD) in the money markets as investors switched bastily into Treasury bills – a flight to quality, as the market saw it. Rates on bank CDs bave been rising all week, and jumped by a further 20 to 35 basis points yesterday. But Treasury bill rates fell by 11 basis points on the wave of buying demand.

The stock market turned higher at midsession, after an earlier advance bad faltered on the nervousness in the banking sector.

The undertone remained good, although buyers were reluctant to take positions until the bond market settles down. Stock prices appear to have discounted higher interest rates and some analysts see rates peaking at this week's auction levels.

The closing Wall Street report, updated U.S. market monitors and late Canadian prices were unavailable because of continuing industrial action at the Financial Times' printers in Frankfurt.

Ford Motor put on $½ to $35¼ after the chairman had predicted strong sales for the industry in the decade ahead. At $65¼, General Motors added $¾, also in active trading.

AT&T dipped $¾ to $15¾ in beavy turnover which reflected some substantial block trading after the Federal Communications Commission mandated a cut in the company's long-distance rates.

There was a fall of $1⅛ to $12¾ in Prime Computer after a "sell" recommendation by a leading brokerage house. Prime could also be burt by the new mini-computer introduced by Hewlett-Packard.

City Investing, facing a bid of $40-plus a share from an investor group, added $¼ to $43⅜.

Oil stocks bad another active session in the wake of Atlantic Richfield's comments on its Alaskan reserves. Exxon gained $¼ to $42¼ and Occidental, at $32¾, put on $½. But Arco gave up $⅝ of Wednesday's gain to stand at $49⅛.

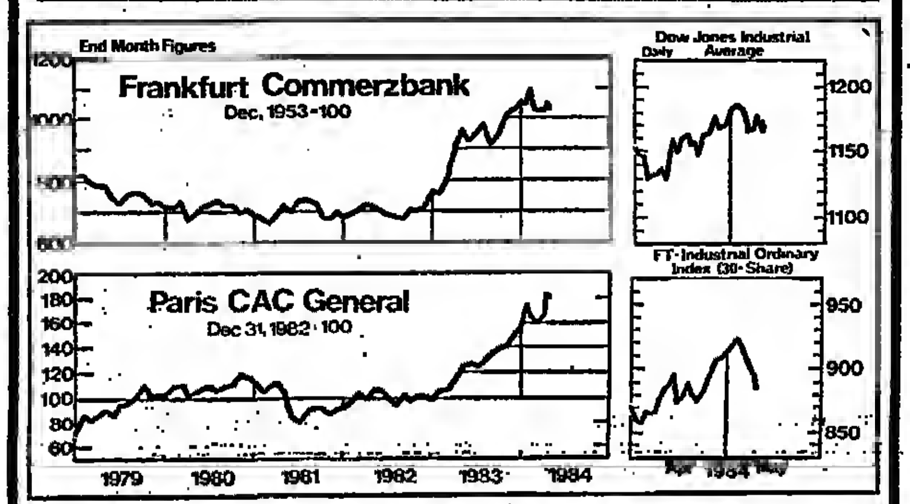
Sbell Oil edged up $¼ to $58¼ after the parent group extended its offer to buy the outstanding equity at $58 a sbare – despite the apparent blocking of the bid by the Delaware court.

On the American Stock Exchange, Galaxy Oil, $⅛ higher at $2¼ continued to benefit from renewed takeover interest. But among the high technology issues, there was selling of Tie Communications, whicb sbed $1½ to $18¼.

The bond market was a sbade easier in places as traders balanced their books after three days of Treasury auctions, which bave brougbt $18.8bn in refunding into the market. The key long bond at 91²⁴⁄₃₂ was off ⅛₂.

Three-month Treasury bill rates dipped to 9.88 per cent and the six-month to 10.15 per cent. Money market rates remained very strong, as investors demonstrated their preference for Government paper.

KEY MARKET MONITORS



STOCK MARKET INDICES

	May 10	Previous	Year ago
NEW YORK			
DJ Industrials	1167.19	1165.52	1229.68
DJ Transport	508.54	513.58	550.75
DJ Utilities	129.77	129.09	129.06
S&P Composite	160.00	160.11	165.96
LONDON			
FT Ind Ord	884.9	896.2	668.6
FT-SE 100	1094.4	1109.9	908.1
FT-A All-share	517.16	524.86	417.74
FT-A 500	565.18	573.18	452.21
FT Gold mines	622.2	642.2	678.1
FT-A Long gilt	10.59	10.51	10.56
TOKYO			
Nikkei-Dow	10,879.71	11,060.29	8,667.99
Tokyo SE	852.80	865.79	634.45
AUSTRALIA			
All Ord.	747.9	750.5	607.4
Metals & Mins.	510.9	515.1	547.0
AUSTRIA			
Credit Aktien	54.65	54.79	58.62
BELGIUM			
Belgian SE	154.56	154.47	122.01
CANADA	May 10	Previous	Yr ago
Toronto			
Metals & Mines	n/a	2069.3	—
Composite	2321.2	2333.3	2552.3
Montreal			
Portfolio	113.14	113.16	—
DENMARK			
Copenhagen SE	186.51	186.89	144.07
FRANCE			
CAC Gen	178.9	180.9	124.8
Ind. Tendance	112.6	113.9	78.8
WEST GERMANY			
FAZ-Aktien	350.11	353.92	312.17
Commerzbank	1020.5	1030.4	935.4
HONG KONG			
Hang Seng	921.31	939.71	945.32
ITALY			
Banca Comm.	211.11	213.24	189.61
NETHERLANDS			
ANP-CBS Gen	164.6	166.0	127.1
ANP-CBS Ind	131.8	132.6	105.7
NORWAY			
Oslo SE	295.4	296.7	189.61
SINGAPORE			
Straits Times	974.83	978.01	956.89
SOUTH AFRICA			
Golds	948.9	n/a	951.8
Industrials	1082.7	n/a	918.7
SPAIN			
Madrid SE	120.66	120.44	115.68
SWEDEN			
J&P	1544.5	1538.84	1507.19
SWITZERLAND			
Swiss Bank Ind	382.3	384.1	328.5
WORLD	May 9	Prev	Year ago
Capital Int'l	187.5	188.3	179.5

GOLD (per ounce)

	May 10	Prev
London	$373.75	$373.00
Frankfurt	$373.25	$373.00
Zürich	$372.00	$372.75
Paris (fixing)	$370.83	$371.88
Luxembourg (fixing)	$368.50	$372.80
New York (May)	$372.90	$371.20

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR May 10	U.S. DOLLAR Previous	STERLING May 10	STERLING Previous
$	—	—	1.385	1.39
DM	2.772	2.766	3.8425	3.845
Yen	229.1	228.75	317.5	318.25
FFr	8.5225	8.4825	11.8	11.785
SwFr	2.284	2.2775	3.165	3.1675
Guilder	3.1135	3.111	4.315	4.325
Lira	1707.0	1708.5	2363.0	2374.0
BFr	56.36	56.47	78.5	78.5
C$	1.29775	1.29475	1.796	1.7995

INTEREST RATES

Euro-currencies (3-month offered rate)	May 10	Prev
£	9⅞	9 15/16
SwFr	4⅜	4
DM	6¼	5
FFr	12¾	12⅝
FT London Interbank fixing (offered rate)		
3-month U.S.$	11⅞	11⅝
6-month U.S.$	12⅛	12
U.S. Fed Funds	11⅞	11⅝
U.S. 3-month CDs	11.35	11.15
U.S. 3-month T-bills	9.85	9.86

U.S. BONDS

Treasury	May 10* Price	May 10* Yield	Prev Price	Prev Yield
11⅛ 1986	99⅜	12.22	99½	12.26
12⅜ 1991	96⅞	13.13	96⅞	13.12
11.75 1993	92⅝	13.22	92½	13.20
12 2013	90⅝	13.26	90⅞	13.26
Corporate				
AT&T				
10⅜ June 1990	88⅝	13.15	88⅝	13.15
3⅞ July 1990	70⅜	10.60	70⅜	10.60
8⅝ May 2000	67⅝	13.80	67⅝	13.80
Xerox				
10⅞ March 1993	85⅛	13.55	85⅛	13.55
Diamond Shamrock				
10⅞ May 1993	84⅝	13.65	84⅝	13.65
Federated Dept Stores				
10⅞ May 2013	78⅛	13.60	78⅛	13.60
Abbot Lab				
11.80 Feb 2013	87	13.60	87	13.60
Alcoa				
12½ Dec 2012	87⅝	14.00	87⅞	14.00

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
June	62-21	63-06	62-15	62-24
U.S. Treasury Bills (IMM) $1m points of 100%				
June	89.62	89.79	89.53	89.58
Certificates of Deposit (IMM) $1m points of 100%				
June	88.32	88.43	88.25	88.41
LONDON				
Three-month Eurodollar $1m points of 100%				
June	88.35	88.48	88.32	88.74
20-year Notional Gilt £50,000 32nds of 100%				
June	104-28	105-19	104-24	105-18

COMMODITIES

(London)	May 10	Prev
Silver (spot fixing)	623.55p	625.65p
Copper (cash)	£1012.50	£1012.50
Coffee (May)	£2196.50	£2148.00
Oil (spot Arabian light)	$28.32	$28.25

HONG KONG

Foreigners contribute to slide

RENEWED political uncertainty and interest rate rises by several local banks left shares lower again in Hong Kong.

The Hang Seng index shed 18.40 to 921.31, after the near-30 point decline registered on Wednesday, and some analysts now believe the always volatile measure could be beading for a trading range between 820 and 900.

This compares with its high for the year of 1,170.35 set on Marcb 19.

Much of yesterday's slide was attributed to late overseas selling which coincided with the row between members of Hong Kong's two central governing bodies and the British Government over the conduct of negotiations with China on the colony's future.

Among the leaders, Cheung Kong fell 20 cents to HK$8, while Hongkong Land and Hongkong Bank each sbed 10 cents to HK$2.95 and HK$6.40 respectively.

The decline was continued during London trading of Hong Kong quoted shares yesterday as a Hong Kong delegation arrived to lobby Members of Parliament and government officials ahead of next week's House of Commons debate on the colony.

LONDON

FEARS that interest rates would rise further undermined confidence in London. Leading equities, as measured by the FT Industrial Ordinary index, fell by 11.3 to 884.9, a slide of nearly 38 points from its recent peak. The tone among gilt-edged stocks was even more depressed and the FT Government Securities index fell 0.35 to 80.13, its lowest level since last September.

Continuing upward pressure on domestic money market rates, which seemed to justify views that the recent increase in bank lending rates was unlikely to fully rectify the situation, troubled investors.

Only three index constitutents resisted the downturn with BP, down 8p at 495p, and BTR, weaker by 11p at 464p, particularly bard hit.

Sbort-dated gilts weakened noticeably with the tap stock, £50-paid Treasury 9½ per cent convertible 1989, falling ⅛₄ to its lowest yet of £48⅜. Several straigbt high-coupon issues showed losses of ½, along with longer-dated stocks.

Chief price changes, Page 34; Details, Page 35, Share information service, Pages 36–37

AUSTRALIA

EXPECTATIONS of good balf-year results from Westpac, due today, underpinned the banking sector in Sydney in an otherwise moderate performance.

ANZ added 8 cents to A$5.90 while Westpac rose 5 cents to A$3.95 and National Commercial Bank 10 cents to A$3.72.

Industrials were little changed, while the major mining companies were mixed to weaker.

BHP was one of the main casualties, dropping 15 cents to A$11.

John Fairfax, which has risen sharply in recent days, met profit-taking and dropped 30 cents to A$5.30.

SOUTH AFRICA

MANY GOLD shares managed to stage a partial recovery from their day's lows in Johannesburg as the gold price edged above $370, but they were still sbarply lower on the day.

Harties fell R5.50 to R103 while West Rand Consolidated lost 55 cents to R10.75.

Mining financials were lower with Anglo American Gold down R3 to R145, while De Beers slipped 15 cents to R9.20 and Impala Platinum sbed 20 cents to R20.40.

Industrials were mixed wbere cbanged.

EUROPE

Enthusiasm painfully absent

IF A MEASURE of uncertainty existed on Wednesday about whicb direction European bourses were beaded, investors bad made up their minds yesterday. Persistent local factors combined with the overnigbt mood of Wall Street to drown any enthusiasm in the major bourses and left most share sectors weaker.

The go-ahead by German metalworkers to stage a strike next week unravelled sentiment in **Frankfurt**, while the dollar's nibbling away of the D-Mark's strength added to gloom. The Commerzbank index fell 9.9 to 1,020.5, leaving the 60-sbare indicator almost 30 points off so far this week.

Not surprisingly car issues were caught in the downturn. VW, despite its DM 51m first-quarter profit and good forecasts for the year, ended DM 5.40 down at DM 190.80 while Daimler shed DM 4.50 to DM 571.50 and BMW sustained a loss of DM 8.50 at DM 382.

Banks were also affected with Deutsche down DM 6.40 at DM 376.90 ex-dividend, Dresdner DM 4 off at DM 189.30 and Commerzbank DM 4.50 lower at DM 170.

Improved trading results were largely ignored. Siemens suffered a DM 7.80 fall to DM 390 despite its better first-balf profits, while Hoechst declined DM 3.50 to DM 179.50 after announcing higber net earnings. Scbering's confident forecast for the current year failed to impress and it lost DM 4.80 to DM 343.20.

Bonds eased further with losses up to 50 basis points while inducing the Bundesbank to buy DM 98.8m in paper against the previous sales of DM 10.2m.

Banks and metals were mixed in an otherwise lower **Paris**, which some analysts attributed to transatlantic influences rather than local profit-taking.

Carrefour was steady at FFr 1,760 ahead of its buoyant first-quarter turnover figures. Bouygues sbed FFr 18 to FFr 702 following the warning by the group that it might scrap plans to take control of Amrep if state aid is not available. Amrep remained suspended.

One of the gainers of the session was Moët-Hennessy, FFr 95 up at FFr 1,620, although Redoute ended with a FFr 80 rise to FFr 1,340.

Quiet trading in **Amsterdam** saw most prices dip slightly and the ANP-CBS Index fall 1.418 to 164.8.

Amev, bowever, was barder hit with a Fl 4 drop to Fl 155 while in banks ABN lost Fl 5 to Fl 368.

Royal Dutcb lost 20 cents to Fl 180.20 after news that a U.S. court had issued an injunction against the cash tender offer for Sbell Oil shares although Royal Dutch now claims to bold 90 per cent of the Sbell in the U.S.

Light bond turnover marked most prices down sharply in response to Wall Street's overnight slump.

Zurich managed to recover from some of its early lows although the focus of attention was Pargesa, SwFr 15 down at SwFr 1,295 after touching SwFr 1,280 following the sale of its 22.5 per cent stake in Paribas Suisse to Compagnie Financière de Paribas, the French state-owned financial group.

Banks saw marginal price shifts, while financials remained steady. Bonds traded at overnight levels, while the latest 4.5 per cent state bond edged lower to 98.5 per cent from 98.6.

Petrofina's takeover ambitions were declared after trading in **Brussels** but nevertheless the issue managed a BFr 40 rise to BFr 7,970 on turnover of 11,000 sbares. Non-ferrous metals producer Hoboken gained BFr 60 to BFr 5,540 on overseas demand.

Wire maker Bekaert, wbicb has gained BFr 415 since the beginning of the month, held steady at BFr 4,375 altbougb foreign interest in the group was still reported to be strong.

The decision by Volvo to buy a major stake in Cardo, the sugar, seeds and biotechnology group, proved a feature in **Stockholm** with Scandinavia's largest industrial concern rising SKr 15 to SKr 515 and Cardo slipping SKr 4 to SKr 418.

Milan ended broadly lower while Madrid, largely out of step with the rest of Europe, finished at another record high.

SINGAPORE

A MARGINALLY improved afternoon performance in Singapore failed to erase the morning's losses in very thin turnover.

The Straits Times industrial index ended down 3.18 at 774.83 despite a 20-cent advance to S$13.60 by index constituent, Esso.

K. L. Kepong beaded the most actively traded stocks list, but even its turnover was only moderate and was attributed to large block trades arranged off the exchange floor. The sbares rose 4 ceots to S$3.02.

CANADA

AN EASIER trend emerged in Toronto with eigbt of the 14 major stock groupings lower, led by a modest retreat in property and transport issues. Golds, bowever, edged higber.

The same lower overall trend was evident in Montreal with industrials, utilities and banks turning weaker.

TOKYO

Weak yen continues to take toll

THE WEAKER yen and an overnight fall on Wall Street triggered small-lot selling on a broad front in Tokyo yesterday, driving share prices down sharply and leaving the Nikkei-Dow Jones market average below the 11,00 level, *writes Shigeo Nishiwaki of Jiji Press.*

The index plunged 197.54 at one stage in the morning but rebounded slightly in the afternoon to close at 10,879.71, a net loss of 180.58. This was the largest one-day decline this year and the eighth largest on record.

In the absence of active buying, volume eased to 315.05m shares from the previous day's 391.09m. Losers far outnumbered gainers by 587 to 159.

Prominent among losers were blue-chips. Hitachi, recently viewed as the barometer, plummeted Y19 to Y918. NEC shed Y60 to Y1,290 and Matsushita Electric Industrial Y70 to Y1,890.

Among high-priced blue-chips, TDK fell Y230 to Y5,500 and Kyrocera Y140 to Y5,900.

High-technology, particularly semiconductor-related issues, which had been favoured this year on sharply higher demand, fell back on speculation about a supply surplus in 1986. Heavy and light electrical companies manufacturing semiconductors moved down.

The yen's decline sent non-ferrous metal issues down across the board. Sumitomo Metal Mining led, dropping Y50 to Y1,780.

Against this background, Mochida Pharmaceutical added another Y220 to Y5,560, still buoyed by the news that it is developing a new anti-cancer drug.

Despite the plunge in share prices, there was no panic selling as many investors were monitoring Wall Street closely. But few anticipated a sbarp rally in the immediate future in view of continued small-lot selling by non-residents and record margin debts on the three major exchanges.

The bond market weakened further in response to rising U.S. interest rates. The Debt Consolidation Fund bougbt Y100bn worth of 7.5 per cent long-term government bonds, due January 1993, to help promote sales of 10-year government bonds to be issued this month. But the fund's move had little impact on the market, with the yield on the benchmark bond rising again to 7.315 per cent from 7.280 per cent.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 33

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Continued on Page 34

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 32

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
17⅞	9	Wyly				35	10¼	10	10	-⅛
22¼	16½	Wynns	.60	3.1	11	54	19⅝	19½	19¼	
		X-Y-Z								
52¾	38⅞	Xerox	3	7.5	9	[illegible]	[illegible]	[illegible]	[illegible]	
53½	47	Xerox	pf5.45	11.		485	[illegible]	[illegible]	[illegible]	-⅛
37	21¼	YTRA		2.6	10	[illegible]	[illegible]	[illegible]	[illegible]	
34	24	ZaleCp	1.26	4.9	11	[illegible]	[illegible]	[illegible]	[illegible]	
24⅞	15⅞	Zapata	.84	3.6	12	2148	[illegible]	[illegible]	[illegible]	
47½	28¼	Zayre	s.40b	1.1	11	94	[illegible]	[illegible]	[illegible]	
38⅝	20¼	ZenithE			12	1136	[illegible]	[illegible]	[illegible]	-½
27⅝	19¾	Zero	s .36	1.7	18	[illegible]	[illegible]	[illegible]	[illegible]	-½
37⅞	21⅞	Zurnin	1.32	5.6	10	75	[illegible]	[illegible]	[illegible]	-¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-when distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

WORLD STOCK MARKETS

FRANCE (continued)

May 10	Price Fra.	+ or −
CNE 3%	3,485	−5
Air Liquide	565	−9
BIC	432	−15.1
Bouygues	702	−16
BSN Gervais	2,690	−55
GIT-Alcatel	1,385	−3
Carrefour	1,760	...
Club Mediter'n	922	−2
CFAO	708	−2
Gie Bancaire	600	−10
Colimeg	225	−2
Creusot Loire	38.1	−0.4
Darty	976	+5
Dumez S.A.	716	−26
Eaux (Cie Gen)	660	−10
Elf-Aquitaine	278	+2.9
Gen. Occidentale	645	−7
Imetal	84	−3.4
Lafarge Coppee	387.1	−5.9
L'Oreal	2,508	−14
Legrand	2,030	−16
Maisons Phenix	247	−3
Matra S.A.	1,465	−15
Michelin B	840	−1
Midi (Cie)	1,585	−20
Moet-Hennessy	1,620	+95
Moulinex	102	−1.8
Nord Est	50.1	+0.3
Pernod Ricard	786	−14
Perrier	633	−7
Petroles Fra.	292	−14
Peugeot S.A.	247	−4
Poclain	45	...
Printemps Au	162	+5
Radiotech	310	+2
Redoute	1,340	+80
Roussel-Uclaf	1,090	−30
Schneider S.A.	100	+1.1
Selimeg	270	−3.9
Skis Rossignol	1,413	−6
Telemech Elect.	1,745	−18
Thompson (CSF)	312	−2
Valeo	874	−2

NETHERLANDS

May 10	Price Fls	+ or −
ACF Holding	189.5	...
AEGON	132.5	−1
Ahold	183.5	+0.5
AKZO	95.1	−0.8
ABN	368	−5
AMEV	165	−4
AMRO	64.9	−1.2
Bredero Cert	205	−1
Bos Kalis Westm.	32	−0.2
Buehrmann-Tet.	71.5	−0.5
Calland Hldgs.	38.5	+0.5
Credit Lyon'is Bk	67.8	...
Elsevier-NDU	87.5	−0.5
Gist. Brocades	145.5	−0.3
Heineken	133	−2.3
Hoogovens	54.3	−0.8
Hunter Douglas	26.7	+0.1
Int Mueller	39.3	−0.3
KLM	174	−2.2
Naarden	41.2	−0.8
Nat Ned Cert	227.5	−2
Ned. Credit Bank	40	...
Ned Mid Bank	143.5	−1.5
Nedlloyd	123	−1.5
Oce Grinten	241	−3
Ommoren (Van)	30.4	−1.2
Pakhoed	65.9	−2.1
Philips	47.5	−0.8
Rijn-Schelde	2.8	...
Robeco	65.6	−0.7
Rodamco	135.7	−0.1
Rolinco	63.5	−1.3
Rorento	201.9	−0.7
Royal Dutch	160.2	−0.2
Unilever	263.5	−0.5
VMF Stork	118.5	−1.5
VNU	156.5	+0.5
West Utr Bank	94.5	...

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

SWITZERLAND (continued)

May 10	Price Frs.	+ or −
Hoff-Roche 1/10	10,325	−175
Jacobs Suchard	6,760	−16
Jelmoli	1,830	−20
Landis & Gyr	1,400	−10
Nestle	5,470	−20
Oer-Buehrle	1,810	−10
Pirelli	250	...
Sandoz (Br)	6,800	−50
Sandoz (PtCts)	1,075	...
Schindler (PtCts)	566	−4
Swissair	1,025	−10
Swiss Bank	354	...
Swiss Reinsce	8,275	+25
Swiss Volksbk	1,460	−10
Union Bank	3,615	−5
Winterthur	3,040	+10
Zurich Ins.	18,300	−100

AUSTRALIA

May 10	Price Aust $	+ or −
AHZ Group	6.9	+0.08
Acrow Aust.	1.6	...
Alliance Oil D.	0.71	−0.51
Ampol Pet	1.79	+0.08
Aust Cons Ind	1.82	+0.07
Aust. Guarant	3.7	+0.05
Aust. Nat. Inds	2.68	...
Aust. Paper	1.95	−0.09
Bell Group	6.40	...
Bond Corp Hldgs	1.25	...
Boral	3.63	+0.03
B'ville Copper	2.45	−0.02
Brambles Inds	2.92	−0.05
Bridge Oil	2.65	...
BHP	11xa	−0.15
GRA	6.86	...
CSR	3.58	−0.08
Carlton Utd	4.2	...
Castlemaine Tys.	4.52	−0.08
Coles (G.J.)	3.75	−0.03
Comalco "A"	2.95	−0.05
Consolidated Pet	0.65	−0.05
Costain Aust.	1.28	...
Dunlop Aust.	1.71	+0.01
E.Z. Inds.	5.46	...
Elders IXL	4.03	−0.02
Energy Res	1.4	...

JAPAN

May 10	Price Yen	+ or −
Bridgestone	607	−31
Canon	1,330	−40
Casio Comp.	1,280	−60
Chugai Pharm	1,020	−80
Citizen	560	+4
Daiei	678	...
Dai Nippon Ptg	1,050	−30
Daiwa House	487	−11
Ebara	385	...
Eisai	1,060	−20
Fanuc	8,750	−320
Fuji Bank	1,040	−10
Fuji Film	1,730	−20
Fujisawa	785	−8
Fujitsu	1,260	−20
Green Cross	1,820	−40
Hasegawa	397	+17
Heiwa Real Est.	610	−1
Hitachi	918	−12
Hitachi Credit	1,700	−50
Honda	1,170	−50
House Food	771	...
Hoya	1,900	−50
Itoh (C)	328	+1
Ito-Yokado	1,960	−10
Iwatsu	1,660	−70
JACCS	381	−2
JAL	2,990	−230
Jusco	818	+3
Kajima	302	+2
Kao Soap	785	−10
Kashiyama	635	+5
Kirin	605	−7
Kokuyo	1,060	−20
Komatsu	486	−10
Konishiroku	628	−1
Kubota	311	−2
Kumagai	480	+10
Kyoto Ceramic	5,900	−140
Maeda Const.	615	−4
Makino Milling	1,510	...
Makita	1,020	−40
Marubeni	373	−8
Marudai	640	−5
Marui	1,280	−20
MEI	1,890	−70
M'ta Elec Works	754	−6
M'bishi Bank	1,040	...
M'bishi Corp.	545	−5
M'bishi Elec	420	−13
M'bishi Estate	640	−16

JAPAN (continued)

May 10	Price Yen	+ or −
MHI	254	−8
Mitsui Co.	370	−2
Mitsui Estate	751	−5
Mitsukoshi	345	+2
NGK Insulators	790	...
Nihon Cement	220	...
Nippon Denso	1,540	−60
Nippon Elect	1,290	−60
Nippon Express	327	−6
Nippon Gakki	630	...
Nippon Kokan	159	−3
Nippon Oil	1,140	−30
Nippon Seiko	610	−17
Nippon Shimpan	630	−2
Nippon Steel	177	−5
Nippon Suisan	345	−1
NTV	12,850	−50
Nippon Yusen	248	−2
Nissan Motor	666	...
Nisshin Flour	488	−2
Nisshin Steel	220	−6
Nomura	841	−18
Olympus	885	+10
Omron Tateisi	2,310	...
Orient Leasing	4,060	−180
Pioneer	2,460	−70
Renown	670	...
Ricoh	1,040	−10
Sankyo	689	−5
Sanyo Elect.	525	−1
Sapporo	450	−3
Sekisui Prefab	585	−1
Seven-Eleven	8,980	−10
Sharp	1,150	−40
Shimadzu	570	−10
Shionogi	612	+1
Shiseido	1,200	−10
Sony	3,510	−80
Stanley	790	−10
S'tmo Bank	1,220	+40
S'tomo Elect	895	−11
S'tomo Marine	496	−16
S'tomo Metal	193	−3
Taihei Dengyo	490	...
Taisei Corp.	220	...
Taisho Pharm.	971	−12
Takeda	700	−4
TDK	5,500	−250
Teijin	431	−8
Teikoku Oil	728	−11
Tokyo Marine	640	−12
TBS	850	−20
Tokyo Elect Pwr.	1,310	−20
Tokyo Gas	180	−2
Tokyo Sanyo	778	−88
Tokyo Style	779	...
Tokyu Corp	318	−8
Toppan Print	790	−25
Toray	457	−16
Toshiba Elect.	418	−9
TOTO	616	−19
Toyo Seikan	790	−30
Toyota Motor	1,400	−20
Victor	2,740	−80
Wacoal	800	...
Yamaha	520	+5
Yamanouchi	1,510	−30
Yamazaki	729	−1
Yasuda Fire	341	−6
Yokogawa Bdge.	493	+2

SINGAPORE

May 10	Price $	+ or −
Boustead Hldgs.	3.58	−0.01
Cold Storage	3.82	−0.04
DBS	9.65	−0.1
Fraser & Neave	6.05	...
Genting	5.3	...
Haw Par. Bros	2.51	...
Inchcape Bhd	2.82	−0.05
Keppel Shipyard	2.95	−0.81
Malay Banking	9.8	−0.1
Malay Brew.	6.75	...
Multi Purpose	1.87	−0.01
OCBC	10.3	−0.1
OUB	4.36	...
Sime Darby	2.41	...
Straits St'mship.	1.52	...
Straits Trdg.	5.8	+0.05
UOB	5.23	−0.05

SOUTH AFRICA

May 10	Price Rand	+ or −
Abercom	2.20	+0.05
AE & CI	9.50	−0.25
Anglo Am Coal	30.75	−0.25
Anglo Am Corp	33	−0.4
Anglo Am Gold	145	−3
Barclays Bank	22.25	...
Barlow Rand	14.20	−0.05
Buffels	76	−1.5
CNA Gallo	3.4	...
Currie Finance	5.35	−0.15
De Beers	9.20	−0.15
Driefontein	43.5	−1
FS Geduld	48	−1
Gold Fields S.A.	27	−1.5
Highveld Steel	6.	...
Nedbank	16.2	+0.1
OK Bazaars	18.5	+0.25
Protea Hldgs.	2.9	−0.1
Rembrandt	27	...
Rennies	14.25	−0.15
Rust. Plat.	15	...
Sage Hldgs.	8.4	+0.05
SA Brews	7.6	...
Smith (G.G.)	26.25	...
Tongaat Huletts	11.7	...
Unisec	5.60	−0.05

OVER-THE-COUNTER

Nasdaq national market, 3pm prices

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES

Tr. 2½pc IL 2009	£95¾	+⅞
Bishopsgate Tst.	190	+29
Blagden Inds.	130	+8
Halstead (J.)	100	+7
Newb.& Burton	133	+27
Petranol	455	+30

FALLS

Trs. 9¼C 1980	£48¾	−⅜
Ex. 12pc 2013-17	£114¾	−⅜
BSG Intl.	19	−2
BSR Intl.	272	−6
BTR	464	−11
Burton Group	271	−11
Crestalate	273	−8
Debenhams	177	−6
Eur. Ferries	111	−6
Hambr. Lf. Ass.	380	−10
Johnson Matthey	243	−12
Land Securities	276	−8
Midland Bank	375	−10
Prudential	445	−15
RMC	446	−10
Tarmac	402	−12
Trafalgar House	246	−9
Trusth. Forte	120	−5
BP	495	−8
Ultramar	615	−35
Cons. Gold	533	−19
Minorco	640	−20
Randfontein	£103	−4
RTZ	625	−14

Continued on Page 42

CANADA

TORONTO

Prices at 2.30 pm
May 10

MONTREAL

Closing prices May 9

Indices

NEW YORK — DOW JONES

STANDARD AND POORS

New York Active Stocks

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 33

LONDON STOCK EXCHANGE

MARKET REPORT

Higher interest rate fears continue and equity index extends fall from peak

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Apr 9	Apr 26	Apr 27	May 8
Apr 30	May 10	May 11	May 21
May 14	May 31	June 1	June 11

* "New-time" dealings may take place from 9.30 am two business days earlier.

Fears that interest rates would rise further undermined London stock market confidence yesterday. Leading equities fell for the fourth session in a row since the FT Industrial Ordinary share index hit its best-ever mark, the close being 11.3 down at 884.9; this represents a slide of nearly 38 points from the peak. The tone among Gilt-edged stocks was even more depressed and the FT Government Securities index fell 0.35 more to 80.13, its lowest level since September last.

Continuing upward pressure on domestic money market rates, which semed to justify views that the recent increase in bank lending rates was unlikely to fully rectify the situation, troubled investors. The authorities yesterday endorsed Wednesday's announcements of dearer borrowing costs by raising money market intervention levels, but the key three-month rate still hardened to 9¼ per cent.

U.S. events also made for vousness. Wall Street's overnight weakness, which was related to possible problems with the latest Treasury note auction, and thoughts of still dearer credit there were both factors urging caution.

Blue chip industrials and Government stocks were consequently marked down at the opening and fairly soon lost more ground on nervous selling. Within an hour business became sparse and values later attempted to rally. The movements lacked substance, however, and closing levels were near the day's lowest. Only three index constituents resisted the downturn, while BP and BTR sustained double-figure losses.

Short-dated Gilts weakened noticeably with the tap stock, £50-paid Treasury 9¼ per cent Convertible 1989, falling 1/16 to its lowest yet of 48¾. Several straight high-coupon issues showed losses of ½, along with longer-dated stocks. Index-linked Gilts, once again, moved in the opposite direction following fresh support from investors hedging against higher UK inflation.

Life Insurances fall

Reflecting growing concern that the Chancellor is ready to tighten tax concessions on personal pension policies, Life Insurances fell sharply. Pearl, 735p, and Prudential, 445p, lost 15 apiece, while Legal and General declined 13 to 447p and Equity and Law 12 to 718p. Britannic gave up 10 to 468p as did Hambro Life, to 380p. Elsewhere, Royals dropped to 533p before closing a net 5 down on balance at 540p following news of the £20.4m first-quarter loss due to sharply increased world wide underwriting losses of £101.6m. Other Composites drifted lower in sympathy. Commercial Union, with first-quarter fiures scheduled for Tuesday, cheapened 4 to 204p. General Accident lost 8 at 457p and GRE 10 at 555p. Among Lloyds Brokers, C. E. Heath lost 7 to 195p.

Despite suggestions that base rates might have to be increased further, the major clearing banks succumbed to the surrounding malaise. Lloyds fell 15 to 580p while Barclays, 468p, and Midland, 375p, dropped 10 apiece. NatWest, held the overnight level of 650p. Royal Bank of Scotland's interim profits were deemed satisfactory, but the shares drifted down 4 to 224p owing to lack of support.

Wordplex Information Systems staged a satisfactory market debut; offered for sale by tender at a minimum price of 240p with a strinking price of 285p, the shares opened at 312p and slipped to 303p prior to closing at 306p. Among other recently-issued equities, Petranol continued to attract support on Texas exploration hopes and touched 470p before closing a net 20 up at 455p. Bakery concern Greggs, which staged an impressive debut last week, dipped to 155p before late support brought a close of just a couple of pence cheaper on balance at 160p.

Breweries continued to present a drab picture. Vaux cheapened 4 to 214p following disappointing interim results and Greenhall Whitley's half-year figures also failed to impress, the close being similarly lower at 147p. Bass eased 5 to 365p, Whitbread A 4 to 167p and Allied Lyons softened a couple of pence to 164p. Elsewhere, Distillers gave up 5 to 302p on sporadic profit-taking.

The Building sector displayed widespread falls following occasional selling and the reluctance of buyers. Although a touch steadier after hours losses among the leaders still stretched into double figures with Tarmac 12 off at 492p and RMC 10 down at 444p. Housebuilders remained under pressure and Barratt Developments shed 2 more to a 1984 low of 120p, while George Wimpey gave up 3 to a year's low of 121p. John Laing slipped 5 to 212p, but William Leech provided an isolated bright spot and gained 7 to 100p on speculative interest. Elsewhere, Tysons (Contractors) added 3 to 72p ahead of next Monday's annual results.

ICI fluctuated narrowly around a lower opening level of 598p before picking up after hours' to close only a couple of pence cheaper on balance at 604p. Floor coverings concern James Halstead, in receipt of an unwelcome offer from British Syphon, put on 7 to 109p on counter bid hopes. Buyers suddenly appeared for Blagden Industries which firmed 6 to 130p.

Stores dull

Fears that the current trend towards dearer credit could curb consumer spending prompted widespread dullness in the Stores sector. Burton led the retreat of the leaders, falling 11 to 271p, with sentiment not helped by details of family share sales. Gussies A lost 10 to 613p and Marks and Spencer declined 4 to 251p. Although Debenham's annual results, showing a near-67 per cent jump in pre-tax profits more than satisfied, the shares were dragged lower with the general trend and closed 6 down at 177p. Habitat also cheapened 6 to 177p and House of Fraser 4 to 254p. Elsewhere, recent speculative favourites gave ground with Sumrie 8 off at 144p and Alfred Preedy 7 lower at 95p. MFI shed 7 to 152p and Steinberg 6 to 136p.

Newbold and Burton featured Shoe concerns, jumping 27 to 133p on news of a bid approach.

Electricals recorded fairly widespread losses. Lower annual profits prompted marked dullness in UEI which tumbled 16 to 178p, while losses of around 5 were recorded in Rowthorpe, 295p, and Pressac, 220p. Amstrad, still overshadowed by the proposed £12.9m rights issue, eased a couple of pence more to 100p. Crystalate gave up 8 at 275p awaiting the interim figures, due next Monday. Among USM stocks, Memory Computer fell 15 to 305p, Miles 33 10 to 230p and Acorn 9 to 184p.

Subdued conditions persisted in the Engineering sector, but falls among the leaders rarely exceeded a couple of pence. Against the trend, Woodhouse and Rixon firmed a penny to 14p following the preliminary results and reorganisation proposals, while the sharply reduced annual loss left Porter Chadburn a shade firmer at 125p. Simon Engineering, in contrast, eased 6 further to 452p for a fall of 41 since Tuesday's preliminary figures.

Marked lower at the outset, leading Foods attracted scattered support late in the session and closed a few pence above the worst. Tate and Lyle settled 2 cheaper at 393p, after 390p, while S. and W. Berisford, down to 186p initially, picked up to close without alteration at 189p. Cadbury Schweppes, however, lost 3 to 135p and Rowntree Mackintosh fell 8 to 288p. Northern Foods gave up 5 at 202p and United Biscuits shed 5 to 165p. Falls among Food Retailers were usually restricted to a couple of pence, but Associated Dairies slipped to 170p prior to closing 6 cheaper on balance at 172p.

Leading Hotels and Caterers displayed moderate falls. Grand Metropolitan lost 8 at 340p and Trusthouse Forte 5 at 120p. De Vere Hotels, which has received a number of approaches, came back 13 to 295p, while recently-firm Stakis shed 7 to 120p.

Bowater dip and rally

Among the miscellaneous industrial leaders, Bowater reacted initially to 299p before reviving sharply to 308p, up 3 on balance. Scattered offerings left BTR 11 cheaper at 464p and good interim results failed to sustain BOC Group which closed a few pence cheaper at 288p. Trafalgar House remained on offer after the recent interim figures and gave up 9 further at 246p. Occasional selling left Pilkington Brothers 10 down at 300p, after 295p. Enlivened on Wednesday by Dun and Bradstreet's bid for Datastream, Extel met with profit-taking and ran back 17 to 560p. London and Liverpool rallied 2 to 10p, after the previous day's late drop, but renewed selling left Johnson and Matthey 12 down at 243p. Comment on the preliminary results and proposed capital reorganisation prompted a reaction of 6 to 111p in European Ferries. D. Machperson improved 3 further to 125p in line with the agreed counter-bid from a Finnish company. Rank Organisation also moved against the trend, closing 4 higher at 226p on speculative support.

Among Leisure issues, Fairline Boats added a penny at 51p on the more-than-doubled half-year profits and cheerful statement.

Marked up a few pence following news of the strong interim profits recovery and resumption of dividend payments, AE later gave ground to close a fraction cheaper on the day at 87p. Elsewhere in Motors, BSG lost 2 to 19, after 18p, on the proposed £11.2m rights issue.

In a quietly dull Newspaper/Paper sector, Ault and Wiborg slipped 3 to 33p in isolated response to the chairman's hint that a rights issue may be needed to refinance the company's bank borrowings.

An early mark-down in the Property sector failed to deter sellers and quotations closed at the day's lowest. Land Securities gave up 8 at 278p and MEPC shed a like amount at 283p. Hammerson "A" lost 15 to 825p and Haslemere Estates slipped 4 to 484p. Similar conditions prevailed among secondary issues. Percy Bilton fell 8 more to a 1984 low of 214p, while Bradford Property shed 8 to 300p and Rosehaugh 10 to 458p. Warner Estate eased 3 to 490p despite the increased half-year profits and dividend.

Courtaulds softened 2 more for a two-day decline of 7 to 148p in Textiles where falls of 7 and 6 respectively were seen in Coats Patons, 125p, and Gaskell Broadloom, 90p.

Tobaccos were again inclined easier. Bats lost 5 to 225p and Imperial dipped 4 to 156p.

Bishopsgate Trust, 22 higher at 190p following news of a bid approach, highlighted an otherwise drab Investment Trust sector.

Ultramar weak

A combination of first quarter results below market estimates and news of problems in eastern Canada and California depressed Ultramar to 609p before a modest rally left the shares a net 35 cheaper at 615p.

Other leading domestic Oils were marked down at the outset and thereafter moved in a narrow range. BP were finally 8 off at 485p while Britoil closed 7 lower at 238p, after 235p, and Shell a like amount easier at 643p. IC Gas remained a weak market and fell a further 8 to 297p — a two-day loss of 15.

Among the secondary oils Carless Capel drifted back to close 5 easier at 240p. Sovereign touched 315p but encountered profit-taking and settled a net 3 lower at 309p. Irish stocks were much quieter and showed Eglinton 8 better at 233p and Aran 2 harder at 72p. Invent Energy gave up 3 to 377p in the wake of a drilling report. Elsewhere, Weeks Australia gave up 4 to 103p and Weeks Petroleum (Bermuda) 5 to 335p following the former's annual meeting in Melbourne at which Weeks Australia chairman Robert Holmes a Court indicated the possibility of Weeks Australia acquiring exploration and production assets from parent company Weeks Petroleum.

Heavy falls in Golds

All major sectors of mining markets suffered another setback, burdened by the widespread weakness of Wall Street and London stock markets as well as the recent poor performances of precious and base metal markets.

South African Golds remained in the firing line. Initially marked down owing to a further decline in New York overnight, share prices continued to drift throughout the session as bullion failed to show any signs of a significant rally in London. After hours' trading saw prices edge off the day's lowest levels, but losses remained sufficiant to produce a 20 point drop to 623.2 in the Gold Mines index—a fall of over 53 points since the beginning of the month and its lowest level since February 20.

Bullion rallied after hours and closed a fraction up at $373.75 having fallen to around $370 in early trading.

South African Financials were similarly depressed. Anglo American Corporation and Gencor gave up around a half-point apiece at £12⅛ and £15 respectively, De Beers fell 12 to 520p and the Bermuda-registered Minorco dropped 20 more to a 1984 low of 640p.

In Coals, Transvaal Consolidated Land, a weak market since the recent announcement of interim results, dipped ½ to £30½. "Amcoal," due to announce preliminary results next Wednesday, fell ½ to £17.

London-domiciled Financials fell sharply for the third successive trading day. Consolidated Gold Fields dropped a further 19 to 533p — a three-day fall of 43 — RTZ gave up 14 more at 625p and Charter Consolidated 8 at 230p. Hampton Areas lost 7 to 218p.

There was no respite for the Australians markets which continued to attract persistent small selling. The leaders were generally around 5 lower — as in MIM, 212p, and Western Mining, 260p, but the speculatives came under substantial pressure and posted sizeable losses. Great Victoria Gold lost 9 to 42p, Australian Hydrocarbons 5 to 13p and Jones Mining 7 to 21p. Among leading Golds, Poseidon fell 14 to 300p.

As confidence in the equity market deteriorated so interest in Traded Option put positions increased substantially. Of the 5,223 total number of contracts struck, 2,200 were puts, the highest daily total since October 26, 1982. The new FTSE 100 index continued to attract a good business with 1,826 deals done—995 puts and 831 calls.

FINANCIAL TIMES STOCK INDICES

	May 10	May 9	May 8	May 4	May 3	May 2	year ago
Government Secs	80.15	80.48	80.54	81.02	81.40	81.53	81.04
Fixed Interest	85.23	85.36	86.53	85.86	86.69	85.86	82.99
Industrial Ord.	884.9	896.2	904.6	915.4	929.8	919.4	688.5
Gold Mines	622.2	642.2	632.8	665.1	671.4	668.0	678.5
Ord. Div. Yield	4.40	4.33	4.36	4.27	4.24	4.25	4.72
Earnings, Yld.% (full)	10.20	10.08	10.00	9.83	9.82	9.84	9.37
P/E Ratio (net) (*)	11.83	11.96	12.06	12.20	12.29	12.20	13.91
Total bargains (Est.)	20,045	20,099	21,568	26,227	23,993	24,740	13,583
Equity turnover £m.	—	237.76	239.29	243.72	276.79	372.12	168.46
Equity bargains	—	19,208	20,096	20,263	19,962	21,470	14,524
Shares traded (ml)	—	134.4	138.6	141.6	166.6	186.7	104.0

10 am 886.7. 11 am 885.6. Noon 884.2. 1 pm 885.5. 2 pm 884.9. 3 pm 885.7.

Basis 100 Govt. Secs. 8/1/58. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/1/58. SE Activity 1974.

Latest Index 01-246 8026.

*Nil=11.27.

HIGHS AND LOWS

	1984 High	1984 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs	81.77 (9/1)	80.13 (10/5)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int	87.48 (14/3)	85.23 (10/5)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	922.8 (3/5)	770.3 (4/1)	922.8 (3/5/84)	49.4 (26/6/40)
Gold Mines	711.7 (9/5)	680.2 (17/1)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

	May 9	May 8
—Daily		
Gilt Edged Bargains	173.7	204.3
Equities Bargains	112.0	133.6
Value	480.5	483.7
5-day Average		
Gilt Edged Bargains	163.3	138.3
Equities Bargains	130.1	133.4
Value	635.6	551.5

NEW HIGHS AND LOWS FOR 1984

NEW HIGHS (28)

BRITISH FUNDS (2)
Treas 2pc '06 Treas 2½pc '09

AMERICANS (2)
Ameritech Nynex

STORES (2)
Goldberg (A.) Stirling Group

ELECTRICALS (3)
Arcolectric A Thermal Scientific
Corlin Electronics

ENGINEERING (2)
Neill (James) YTO Group

INDUSTRIALS (4)
DPCE Restmor
Macpherson (D.) Whitecroft

INSURANCE (1)
London United

LEISURE (1)
Fairline Boats

PAPER (4)
Cropper (James) Ogilvy & Mather Intl
Harrison Cowley Smurfit (Jefferson)

SHOES (1)
Newbold & Burton

TEXTILES (1)
Atkins Bros.

TRUSTS (4)
Bishopsgate Trust Fulcrum Inc
Derby Trust Cap. Antofagasta

OILS (1)
Sceptre Resources

NEW LOWS (156)

BRITISH FUNDS (63)
INT BANK & O'SEAS GOVT STLG ISSUES (7)
CORPORATION LOANS (2)
LOANS (2)
BANKS (2)
BREWERS (1)
BUILDINGS (4)
STORES (2)
ELECTRICALS (5)
ENGINEERING (6)
FOODS (2)
INDUSTRIALS (21)
INSURANCE (3)
MOTORS (3)
NEWSPAPERS (1)
PAPER (1)
PROPERTY (3)
TEXTILES (3)
TRUSTS (5)
OILS (6)
MINES (9)

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
BOC	288	− 3
Bowater	308	+ 3
Britoil	238	− 7
Burton Group	271	−11
Cadbury Schweppes	135	− 3
Cons. Gold Fields	533	−19
ICI	604	− 2
Land Securities	276	− 6
Newbold & Burton	133	+27
BTZ	625	−14
Tarmac	492	−12
Ultramar	613	−35

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	10	94	1
Corpns. Dom. and Foreign Bonds	7	40	33
Industrials	97	662	647
Financial and Prop.	23	304	193
Oils	17	57	46
Plantations	5	3	12
Mines	3	108	63
Others	23	116	91
Totals	185	1,384	1,086

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
May 8	May 18	Aug 9	Aug 20
May 21	June 8	Aug 30	Sept 10
June 11	June 22	Sept 13	Sept 24

For rate indications see end of Share Information Service

Stocks favoured for the call included Leanons, Potty Peck, Bryson Oil, Barker and Dobson, Keep Trust, Gestetner A, Scott and Robertson, Eglinton, Astra Industrial, Atlantic Resources, Berkeley and Hay Hill, Setincourt, London and Northern, Aran Energy, Armour Trust and Dunlop. No puts were reported, but a double option was arranged in London and Liverpool.

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stocks	No. of changes	Wed. close	Day's change
Euro. Ferries	42	117	−13½
Glaxo	13	943	− 7
BTR	13	475	− 8
Beecham	13	316	− 2
Bk. Scotland†	12	55pm	− 6
ICI	12	606	− 2
Trafalgar House	12	255	− 6
Unilever	12	635	− 3
BOC	11	291	− 2
BP	11	493	− 3
Cable Wireless	11	275	− 8
Nansen Trust	11	213	− 5
Powerline Intnl.	11	287	+10
RTZ	11	639	− 6

† Nil/pd.

Details of the FT-SE 100 Share Index now appear on this page at the foot of the FT-Actuaries equity display following the All-Share index.

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1984. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment letters (or fully-paid). ‖‖ Introduction. ✠ Unlisted Securities Market. § Placing price. †† Official London Listing. * Offered as units comprising one ord and one N/V A ord. ‡ No par value. ‡ Price at suspension. Delaney Group was formerly Birmingham Pallet.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

FIXED INTEREST

EUROPEAN OPTIONS EXCHANGE

Series		May Vol.	May Last	Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Stock
GOLD C	$375	126	2	64	12	19	27	$372.40
GOLD C	$400	—	—	56	6.50	3	16	"
GOLD C	$425	—	—	6	2.50	—	—	"
GOLD P	$350	10	0.10	—	—	10	4.50	"
GOLD P	$375	30	4	10	8.50 A	66	11	"
GOLD P	$400	71	30	9	28	—	—	"
		June		Sept.		Dec.		
SILVER C	$8	23	0.85	—	—	—	—	$8.59
SILVER C	$9	3	0.20	—	—	1	0.99	"

TOTAL VOLUME IN CONTRACTS 13,303

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		Calls July	Calls Oct.	Calls Jan.	Puts July	Puts Oct.	Puts Jan.
B.P. (*406)	390	113	—	—	3	—	—
	420	85	98	—	4	8	—
	460	43	50	—	0	11	—
	550	22	33	43	93	32	39
	650	10	17	82	63	68	77
Cons. Gold (*537)	460	90	—	—	5	—	—
	500	60	70	—	10	16	—
	550	62	43	33	39	43	60
	600	14	25	33	74	80	90
	960	4	19	10	190	122	126
Courtaulds (*148)	110	41	—	—	1	—	—
	120	31			1½	—	

Option		Calls Aug.	Calls Nov.	Calls Feb.
LASMO (*310)	260	67	—	—
	280	60	60	—
	300	32	43	52
	330	17	23	32
	360	0	17	—
Lonrho (*139)	100	43	—	—
	110	39	—	—
	180	92	—	—
	130	15	17	20
	140	8	12	13
	150	5½	6	9
P. & O. (*384)	240	91	—	—
	260	71	78	—

May 10 Total Contracts 5,261 Calls 3,023 Puts 2,200

*Underlying security price.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1984 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
99 11/32	97¼	Exch. 3pc 1984	99 11/32	......	3.02	9.08
101	100¾	Treas 12pc 1984	100¾	−1/16	11.91	9.67
105⅝	103	Treas. 15pc 1985	103	−⅛	14.48	10.02
102¾	101	Exch. 12pc Cnv. '85	101	−1/16	11.03	10.15
95⅝	93¾	Treas 3pc 1985	94⅝xd	−⅛	3.17	8.58
102⅝	101	Treas 11½pc 1985	101	−¼	11.38	10.69
99¼	97¼	Treas 8¾pcCnv '85	97¾	−¼	8.95	10.55
104	107	Exch. 12¼pc 1985	102 xd	−⅛	12.00	10.73
103	101¼	Exch. 11¾pc '86	101¾	−1/16	11.55	10.59
102	98⅞	Treas. 10pcCnv 1986	98⅞	−½	10.11	10.64
90¼	88¼	Treas 3pc 1986	89 xd	−⅛	3.37	9.04
102	99	Exch. 10½pc Cv '86	99 xd	−1/16	10.56	10.83
104	102	Treas 12pc 1986	102xd	−1/16	11.76	10.94
98¼	95	Treas 8½pc 1984-86	95	−¼	8.87	10.70
108	106¼	Exch. 14pc 1986	106¼	−1/16	13.18	11.02
87¼	85	Exch. 2½pc 1986	85 xd	−⅛	2.91	8.88
107	104¾	Exch. 13¼pc 1987	104¾	−1/16	12.65	11.11
100⅝	97¾	Treas 10¼%Cv '87	97⅞	−½	10.47	11.11
86	83	Exch 2½pc 1987	83	−⅛	2.98	9.19
101	98¼	Exch. 10½pc 1987	98	−1/16	10.70	11.26
92	89¼	Funding 6½pc '85-87	89¼	−¼	7.24	10.60
[illegible]						

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

1984 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
34¼	26¾	Abbott Labs.	31¾	−⅛	$1.20	—	2.7
34¼	24½	Alcoa $1	25xd	−⅛	$1.20	—	3.4
18⅝	16¼	Amax $1	17⅝xd	−⅛	20c	—	0.8
995p	852p	Amdahl 5c	995p	−30p	20c	—	—
24⅛	19¾	Amer. Express $0.60	22⅛	−½	$1.28	—	4.0
19	14½	Amer Medical Int $1	18¼	......	48c	—	1.9
23⅞	20⅜	Amer. Nat. Res. $1	23	−¼	$1.41	—	9.7
12	10⅝	American T. & T. $1	11⅞	−⅛	$1.20	—	7.1
48⅝	43⅛	Ameritech $1	48⅝	+⅛	$6.00	—	8.7
21½	13⅛	Amlac	19¼	−¼	$1.44	—	5.3
22p	16½p	Arid Tech	17p	......	—	—	—
16⅛	13	Bankamerica $1	14xd	−¼	$1.52	—	7.7
35¼	28	Bankers N.Y. $10	31¼	−⅞	$2.45	—	5.5
54½	46⅞	Bell Atlantic $1	51⅞	+¼	$6.40	—	8.8
69	58½	BellSouth $1	66½xd	......	$7.80	—	8.3
20⅞	15½	Beth Steel $8	16⅞	−⅛	60c	—	2.5
31½	19⅞	Brown'g-Fer. 16⅔c	20¾	+⅛	90c	—	3.3
22	16⅝	Brunswick Corpn.	20¼	−⅛	60c	—	2.1
28¼	24¼	CPC Intnl. 25c	26¾	−¼	$2.20	—	5.8
44¼	39¼	Campbell Soup 60c	42¼	−½	$2.30	—	3.8
36½	30¼	Caterpillar Tractor	33¼	−⅝	$1.50	—	3.1
36⅞	31¼	Chase M'htn.$12.5	35¼xd	−¼	$3.65	—	7.1
24	19¾	Chemical New York	22⅝	−1	$2.36	—	7.4
27½	22⅞	Chesebrough-Pond's $1	25⅝	+¼	$1.84	—	5.1
22½	15¼	Chrysler $6¼	16⅝	−⅝	60c	—	2.5
27¼	22¼	Citicorp $4	24⅝	−⅞	$2.06	—	5.9
31¼	21⅞	City Inv. $1.75	31¼	......	$2.00	—	4.5
18½	14⅝	Colgate-P. $1	17¾	−⅛	$1.28	—	5.0
[illegible]							

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BEERS, WINES—Cont.

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

هكذا من الأصل

INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

MINES—Continued

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

IRISH

OPTIONS — 3-month call rates

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 43

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

INSURANCES

Money Market Trust Funds

Money Market Bank Accounts

Insurances—continued

Colonial Mutual Group
24 Ludgate Hill EC4P 4BD. 01-248 9861

Capital Life Assurance

KeyInvFd	—	131.00	....	—
PcmkrInvFd	—	132.91	....	—
Equity Fd	139.61	141.70	....	—
FndIntFd	111.72	117.60	....	—
Prop'ty Fd	114.47	120.49	....	—
Cash Fd	102.91	108.33	....	—
MnnnedFd	130.58	137.45	....	—

Col Mut Life (Pension Annuities)

MnnEpA:8	117.81	134.02	....	—
ManInvA:8	110.00	125.27	....	—

Commercial Union Group
St Helens, 1 Undershaft, EC3. 01-283 7500

VarAnnAcUts	—	173.83	....	—
VarAnnMay11	—	37.39	....	—

Prime Series—Life

Managed	141.0	148.5	−1.0	—
UK Equity	148.3	156.1	−1.8	—
Intl Eq	133.8	140.0	−1.0	—

Equity Acc	194.0	204.3	....	—
Prop'ty Acc	169.1	178.0	....	—
Int Acc	154.0	162.2	....	—
MansgdAcc	178.6	188.1	....	—
Spec Sits	134.8	141.9	....	—
ePnIntAcc	151.1	159.1	....	—
PenPrpAcc	189.4	199.4	....	—
PensEquity	231.5	243.7	....	—
PenMyAcc	178.6	186.0	....	—

Friends' Provident Life Office
Pixham End, Dorking. (0306) 885055

Life Funds

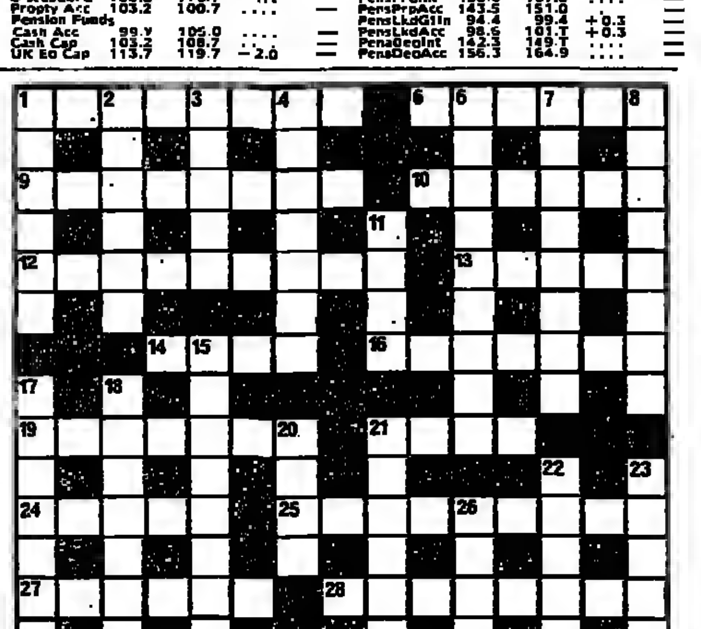
Cash Acc	100.1	105.4	+0.1	—
UKEqAcc	120.8	127.2	−1.9	—
FixeD Int	101.3	106.7	−0.5	—
IndxLkdAcc	92.1	97.0	+0.4	—
Mixed Acc	109.7	115.5	−1.0	—
O'seasEqFd	108.0	113.7	−1.1	—
Propty Acc	103.2	108.7	....	—

Pension Funds

Cash Acc	99.9	105.0	....	—
Cash Cap	103.2	108.7	....	—
UK Eq Cap	113.7	119.7	−2.0	—

Offshore & Overseas—continued

F.T. CROSSWORD PUZZLE No. 5,413



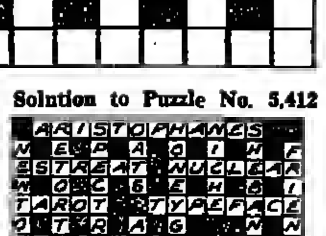
ACROSS

1 One Nebuchadnezzar fired settled for hard cash (8)
5 Bird to catch on horseback (6)
9 Surprise shots in a melee (8)
10 Unusually astute piece of work by an artist (6)
12 He is not still in business (9)
13 A young animal has it in some measure (5)
14 Dark blue flower (4)
16 Colour that is one day to be a guide? (7)
19 Badly leaking connection (7)
21 One to be crossed with a goat (4)
24 Fur on one animal (5)
25 Holding back all those left outside school (9)
27 Musical journals? (6)
28 Perhaps I am disposed to *produce an* object *of worth* (8)
29 Possibly arrest a famous French writer (6)
30 Poem done in my break (8)

DOWN

1 Sea air (6)
2 Lost, as a dog may be (6)
3 Wild anger seen in a row (5)
4 and 21 down: Dream houses for dons? (7, 2, 5)
6 Vegetable makes Rita squirm and splutter (9)
7 Mark closely and upset the club three-quarters (4, 4)
8 Attempts to get round tea-blending agreements (8)
11 Side-walk pedestrian (4)
15 Shopkeeper bursts into tears (9)
17 Their choice will get cross (8)
18 Threaten to put a stop to bad temper (8)
20 Aristocrat in a real mess (4)
21 See 4 down
22 Pacific island in which a girl may be found sunbathing (6)
23 Joined right up inside when scattered (6)
26 Speak when you're spoken to (5)

Solution to Puzzle No. 5,412



INSURANCE & OVERSEAS MANAGED FUNDS

Barclays Life Ass.—Cont.

Income Accum	135 8	143 0	1 6	
Do Initial	129 6	136 5	1 5	
Universal 7rs. Acc	92 2	97 1	1 5	
Do Initial	90 9	95 7	1 4	
Man. Pens. Accum	277 0	286 4		
Do Initial	220 4	232 1		
Gilt Edg Pens. Accum	217.8	229 3		
Do Initial	169 6	178 6		
Money Pens. Accum	196 7	207 1		
Do Initial	155 4	163 6		

Black Horse Life Ass. Co. Ltd.
Hgh St, Chatham 0634 405161

Black Horse Main Fd.		262 11		–
Managed Inv Fd	174 17	183 60		–
Property FD	154 90	163 06		–
Fixed Interest FD	149 66	157 48		–
Cash Fd	139 26	146 59		–
Income FD	202 37	213 24		–
Extra Income FD	197 87	206 29		–
Worldwide Growth Fd	230.86	243 02		–
Balanced Fd	204 85	215 63		–
Smlr Cos & Recy. Fd	231 03	243 17		–
Int Technology Fd	257.53	271 09		–
Nth Amer & Gen FD	150 97	158 92		–
Energy Int. Fd	113.93	119 93		–
Pacific Basin Fund	164 31	172.96		–

British National Life Assurance Co. Ltd.
Marlborough Rd, Haywards Heath. 0444 414111

Managed	123 1	129 6		–
Property	127 8	134 5		–
Equity	135 2	142 3		–
International	137 7	145 0		–
Fixed Interest	106 6	112 2		–
Deposit	102 3	107 7		–
Managed Pen. Cap.	123 8	129 5		–
Property Pens. Cap.	129.6	136.4		–
Equity Pens. Cap.	129 9	136 7		–
Intnl. Pens. Cap	142.8	150.3		–
Fixed Int. Pens. Cap.	201 4	106.0		–
Deposit Pens. Cap	98 4	103 6		–

Canada Life Group
7 b, High St., Potters Bar, Herts. P. Bar 51722

Equity Gth March 1		103 6		–
Retmt Fnd. April 6	296.3	+21.1		–
Managed Pen Fund	198.2	208 7		–

G.T. Management Ltd.
16 Finsbury Circus, Lond EC2M 7DJ 01-628 0131

G T. Plan Bond Fund	127 6	134 4	0 1	
GT Pln High Yld Fnd	138 8	146 2	0 2	
GT Plan Far East Fnd	137 2	144 5	0 6	
GT Plan N Am Fd	125 3	132 2	+0 8	
GT Pln Uk&G.E. Fnd	160.1	168 6	-0 3	
GT Pln Wrldwde Fnd	156 5	164.8	+0.7	
GT Pension Bnd Fnd	139 6	147 0	-0 1	
GT Pen High Yld Fd	161 3	169.8	-0.3	
GT Pen Far East Fd	171 3	182 5	0 8	
GT Pen N Am. FD	184 8	194 6	+1 2	
Pen Uk and General	187 1	197 0	0.3	
GT Pen Worldwde Fd	167 8	176 7	+0 7	

Prices for Accum. Units only

Assicurazioni GENERALI S.p.A.
117, Fenchurch St., EC3M 5DY 01-488 0733

Intl. Managed Bond	174.7	103 9		–

General Portfolio Life Ins. PLC
Crossbrook St, Cheshunt, Herts. Waltham X 31971

Portfolio Fd Acc		279 0		
Portfolio Fd Init		225 0		–

Continued on adjacent Page

Gresham Unit Ass. Ltd.
2-6, Prince of Wales Rd B'mouth 0202 267655

Managed FD	292.1	307.8	-0 3	–
Money Fd	159.6	168.0	+0.2	–
Equity Fd	248.4	261 8	+0.9	–
Fixed Int. Fd	118.0	125.2	-1 7	–
Property Fd	177 4	186 9		–
Managed Pen. FD	285.6	300 9		–
Equity Pension Fd	185 4	195 9		–
Fixed Int. Pen. Fd	170.1	179 2		–
High Yield Pen. Fd.	167 8	176.8		–
Money Pension Fd	133.7	140.7		–
Property Pension Fd	132.9	140.0		–

Gresham/Framlington

American & Gen. Fd.	235.4	248.0	+1.0	–
Income FD	222.3	234.2	-0.5	–
Int'l Growth Fd	275 1	289 9	+0.6	–
Capital Fund	230.3	242.7	-0.6	–
Recovery Fund	171.2	180.4	+0.4	–
Japan & Gen Fd	104.7	770.3	-0.7	–

Growth & Sec. Life Ass. Soc. Ltd.
48, London Fruit Exchange, E1 6EU 01-377 1122

OFFSHORE AND OVERSEAS

Japanese Yen		Y7795	+1	–
£ Sterling		£18 93	+0.05	–
Swiss Franc		SF76 31	+0.01	–
U S $.		$31 95	-0.03	–

1 Thomas St, Douglas, I.o.M. 0624 4856

Merc IoM Fund	55 7	59 3	-0 7	7.8
Merc Intl Bond Fd.	38 1	40 0		7.1

Wardley Investment Services Ltd.
4th Floor, Hutchison House, Hong Kong

Wardley Trust	$5 63	6 02		1.25
Wardley Nikko O. Fd	$24 96	26 48		5 66
Wardley Bond Trust	$10 55	11 10		8 38
Wardley Japan Trust	$33 38	35 51		0.39
Wardley Pvt Cap Tst	$9 84	10 39		0 77

WestAven Secs (Guernsey) Ltd
Bordeaux Hse, St Peter Port, Guernsey 0481 27963

Gilt & Option Fd	£1 19	1.24		2 50
US $ Option	£0 86	0 91		–

World Wide Growth Management◆
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$12 54		-0 07	–

Inv Adv M & G Inv Mngt., Ltd., London.

Wren Commodity Management Ltd.
10, St George's St Douglas IoM 0624 25015

Wren Com Fund	22 1	23 0		–
Chinese Fund	61 8	64 4		–
Precious Metal Fund	138 1	141 1		–
Vanguard Cmdty Fd	29.5	30 2		–
Financial Future Fd	64 1	67 0		–

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U S dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ☐ Only available to charitable bodies. ‡ Yield column shows annualised rate of NAV increase.

COMMODITIES AND AGRICULTURE

Problems of more farm credit defined

By Nancy Dunne in Washington

AN EXPANSION of credit for U.S. farm goods may boost sagging exports but, at the same time, create new problems, according to a department of agriculture "thinking paper" being circulated.

The Reagan administration has been under heavy pressure from farm organisations and some Congressmen to increase funding for agricultural export financing. But the paper notes that many developing nations, which would otherwise be prime markets for U.S. farm products, are already showing resistance to assuming more debt.

The paper, not an official administration policy statement, says that while downturns have occurred in agricultural exports before, the magnitude of the current decline is unprecedented."

But it warns that the potential for total collapse of the international payments system is cause for continuing concern.

Since 1981, the net agricultural trade surplus of the U.S. has declined by more than $8bn while the export volume has dropped nearly 12 per cent. The drop has contributed to lower prices for U.S. farmers.

The U.S. share of the world market for farm products, value terms, has fallen from a high of 25 per cent in 1974 to 19 per cent in 1980 to less than 15 per cent in 1983.

The weakening of the U.S. position in the world market, says the paper, results from the incapacity of the major third world importers to buy, the appreciation of the dollar and U.S. support programmes.

With the dollar unlikely to weaken and the foreign exchange positions of less developed countries not expected to improve, the U.S. is likely to have competitive problems over the next several years.

India to lift tea ban in next few days

BY JOHN ELLIOTT IN NEW DELHI

THE INDIAN Government is expected to lift its five-month-old ban on the export of CTC (crush, tear and curl) teas within the next few days.

This will allow India to start moving rapidly towards the export target of 215m kg which the Government has set for this calendar year. In 1983 exports totalled 209m kg.

The Government believes it has achieved its aims because domestic prices in India have risen by about 46 per cent in the year to March 1984, compared with increases of almost 100 per cent which the Commerce Ministry in Delhi estimates might otherwise have been introduced.

During the ban, the Government has clamped permanent restrictions on the tea industry in an attempt to stop tea garden owners selling their produce below market rates and then making extra profits in secondary sale deals in India and abroad.

The Government believes these restrictions—involving registration procedures and a 30 per cent ceiling on bulk teas not sold through auctions—are essential if it is to go ahead with $900m (£642m) expansion of the industry planned for the years 1985-90.

The Government will provide about $150m of this investment and the rest will be raised by banks which, it is argued in Delhi, would be reluctant to lend funds of such a size if the industry was the subject of widespread black market practices.

Early major purchasers of CTC tea, when the ban is lifted, will be the USSR and Egypt.

Downtrend in aluminium

BY JOHN EDWARDS

ALUMINIUM was the latest metal to be hit by speculative selling yesterday. The three months price dropped by £22.5 to £938.75 a tonne.

The downtrend was triggered off by the early weakness of coppers and gathered pace following a report from the International Primary Aluminium Institute that total stocks of aluminium rose in March.

The institute said primary aluminium stocks in the non-Communist world fell by 55,000 tonnes to 1.967m tonnes in March.

However stocks of all kinds of aluminium, including scrap, rose by 32,000 to 3.823m tonnes.

Stocks were still well down compared with a year ago, but were considered to confirm that production is now much closer in line with demand.

Lead prices also came under renewed pressure, reflecting improved hopes of a settlement of the Broken Hill mining dispute.

Reuter reported from Sydney that the employers and unions planned to meet to study recommendations for a settlement put forward by the New South Wales industrial commission.

Three months lead ended the day £8 lower at £313.75 a tonne.

Copper prices rallied after opening on a weaker note. Three months higher grade fell to £1,017 at one stage before recovering to close virtually unchanged at £1,029.5 a tonne as trade buying interest emerged at the lower levels.

However, in the U.S., Asarco lowered its domestic selling price for copper by 1 cent to 69 cents a lb.

Weak £ boosts coffee values

STERLING'S weakness encouraged a new wave of speculative buying on the London coffee futures market yesterday, pushing nearby positions to new 6½-year highs. July coffee ended the day £59.50 up on the day at £2,216 a tonne.

Dealers noted that one trade house was a particularly aggressive buyer but said they were unsure of the underlying reason for the advance.

● WEST GERMAN sugar analyst F. O. Licht has cut its estimate of world sugar stocks at the end of this season to 36.63m tonnes, 1.24m tonnes down from its February forecast. At the end of last season, in August 1983, the stocks total stood at 37.94m tonnes.

In Brussels, meanwhile, the EEC Commission authorised the export of 60,600 tonnes of white sugar, 12,750 tonnes under its principal weekly tender and 47,850 tonnes under its supplementary tender system.

● MRS THATCHER was told yesterday that Common Market farm ministers have the blood of millions of starving people in the Third World on their hands because of their decision to cut back milk production. Mr John Walker, leader of the National Dairy Producers Association, added in a letter to the Prime Minister that the Cabinet "is singularly poorly advised in agricultural matters.

● TWO JERSEY cows wore wreaths as they paraded through London yesterday, with farmers claiming they were under sentence of death because of the Common Market's decision to slash EEC milk production.

● THE AMOUNT of oats grown in the UK suitable for milling is not enough to meet the demands of oat millers. Because of this 40,000 tonnes of oats had to be imported during 1983.

Dairy industry still in a state of shock

Farmer's viewpoint: By John Cherrington

DAIRY FARMERS are still in a state of angry shock five weeks after quotas on milk were announced. There have been demonstrations in some country towns, and much abuse of Mr Michael Jopling, Agriculture Minister, for having brought back such a deal from Brussels.

There is also a great deal of uncertainty as to the financial effects. The Ministry is supposed to be working out a scheme for alleviating the plight of special cases, defined as those who for some reason or other had not been in full production during the base year 1983.

These reasons could be disease, rebuilding a herd, or expanding business. There is also a swelling demand from the smaller dairy farmers—those who had not expanded since 1981—for some alleviation of the quota.

They point out that the commission offered an option of either 1981 plus 1 per cent or 1983 minus 6 per cent as the base year. It is understood that the NFU is trying to set up a consensus as to how the burden could be equably shared.

In this exercise, the union is undoubtedly looking at our fellow EEC members and in particular at Germany. According to a report in Agra Europe, the Brussels-based intelligence bulletin, Herr Kiechle, the West German Minister of Agriculture, has announced a scheme which will favour the smaller producers.

Briefly, 1983 is determined as the base year on which everyone suffers a deduction of at least ¼ per cent.

However, for those with annual deliveries of more than 180,000 litres—around 36 cows—the basic cut will be 6 per cent and for those producing 300,000 litres, it will be 7½ per cent. There are also penalties for those who have increased production over 1981, which will bring the total quota deduction for a small producer who has expanded to 9 per cent and for one delivering more than 300,000 litres—say 50 cows—to 12½ per cent.

Furthermore, the West German Government will fund a cessation premium of DM 1.00 per thousand litres. So a farmer who used to deliver 60,000 litres would have a pension of DM 6,000 a year for ten years.

British farmers are already accusing the French of cheating on quota allocations and at first sight the French do seem to have come off rather better. Their cut will be 2.9 per cent as against 7.5 per cent for Britain and the Netherlands and 7.7 per cent for Germany.

This, the French claim, is fair because their milk production has grown less than that of the other three. France also managed to get granted another 1m tonnes of milk quota for this year, thus will not have to suffer its full reduction until next year.

There is nothing underhand about this. It is simply that the French Agricultural Minister and his team is more determined at representing his constituents.

However, recriminations will not conquer the effect of quotas. What can farmers do? Simply selling cows is no answer. In any case, the price of freshly calved cows and heifers has fallen by 25 per cent since quotas were announced. Established farmers without outstanding borrowings could wear this but many of those who have expanded on borrowed capital could be severely stretched.

I guess the great majority will keep their cows or most of them and try to cheapen the cost of producing to their quota limits. It would be sensible to sell off poor performers for the meat trade but there is a bit of a glut on the market and prices for cull cows are down about 15 per cent.

I have already heard of some labour being made redundant but would not think it is yet significant. It is also probable that demands for rent increases are being quite forcefully resisted.

Fertiliser costs cannot easily be skimped. There is scope, though, for more efficient use of grass and silage. It is perfectly possible to produce milk on an all-grass diet but not at the high level at which it is produced with compound feeding. It is probable that the top 1,000 litres of a 5,000 litre cow yield comes directly from compound feeding.

So a farmer would, in theory, need to cut compound input by about 10 per cent to keep within the quota. On total dairy compounds of 4.9m tonnes that would be around 0.5m tonnes. This, I believe, would be the minimum reduction in total compound demand whether farmers in general choose to sell off cows or keep their herds and cut back on feeds. But the average farmer would need to save more than that so he could well cut compounds by 15 per cent or stop feeding compounds altogether and mix his own feeds.

Or he could, as New Zealanders do, use nothing but grass and still make a living.

KLCE compromise offer

BY WONG SULONG IN KUALA LUMPUR

A COMPROMISE has been worked out to restore confidence and business activity on the troubled three-and-a-half-year-old Kuala Lumpur Commodities Exchange (KLCE).

The KLCE management is believed to have promised members that it will make way for a new management team at the annual meeting in June in return for members abstaining from passing a vote of no-confidence at tomorrow's extra-ordinary general meeting.

Seven broking firms which want the no-confidence motion to be adopted have been suspended of their rights as KLCE members and thus will not be able to attend the special meeting.

The seven were involved in the default of 763 lots of palm oil of 25 tonnes each, which triggered off a crisis on the KLCE in March.

The exchange had to be suspended for nine trading days. Since its reopening, trading volume has been disappointingly low.

Welsh condemn MMB

BY ROBIN REEVES

THE MILK Marketing Board (MMB) was accused of abandoning its role as a dairy producers' co-operative organisation at the Farmers' Union of Wales (FUW) annual meeting in Aberystwyth yesterday.

Expressing anger at the EEC's milk production curbs, Mr Roger Evans FUW milk committee chairman, said the board had put milk producers' livelihoods second to other considerations, notably through its support for 12-15 per cent price cuts rather than quotas.

This would have allowed the "big boys" to continue expanding while destroying the family farm. "Producers no longer feel they can relate to the MMB as a producers' organisation."

Mr Evans also alleged the board had behaved "in a very underhand way" in its efforts to raise new investment capital and to suppress the Little Neddy report which had advised support for quotas.

He blamed the "undemocratic and iniquitous" MMB voting system

PRICE CHANGES

In tonnes unless stated otherwise	May 10 1984	+ or —	Month ago
Metals			
Aluminium	£1100		£1100
Free Mkt	$1330/1360		$1410/1440
Copper			
Cash h Grade	£1012.5		£1067.5
3 mths	£1028.5	-0.75	£1082.75
Cash Cathode	£1012.5		£1054
3 mths	£1023.25	+0.75	£1070
Gold troy oz	$373.75	+8.75	$378.75
Lead Cash	£307.5	-5.5	£326.5
3 mths	£313.75	-8	£331.75
Nickel	£4868		£4964
Free Mkt	213/233c		217/237c
Palladium oz	$152.00	-0.75	$156.25
Platinum oz	$394.85	+0.5	$400.75
Quicksilver	$305/315		$315/318
Silver troy oz	623.55p	-2.10	643.90p
3 mths	637.50p	-2.10	656.90p
Tin cash	£9040	+8.5	£8711
3 mths	£9032.5	+5.5	£8727
Tungsten	$93.51		$77.75
Wolfram 22.04lb	$85/89		$84/88
Zinc	£695.5	+1	£691
3mths	£675.5	-1	£682.5
Producers	$1050/1090		$1050/1090
Oils			
Coconut (Phil)	$1280u	+15	$1127.0
Groundnut	‡		‡
Linseed Crude	‡		‡
Palm Malayan	$880v	+10	‡
Seeds			
Copra Phil	$770x	+10	$710
Soyabean (U.S.)	$336.7	-0.6	$315.6
Grains			
Barley Fut. Sep	£106.35	-0.15	£106.55
Maize	£147.00		£147.50
Wheat Fut. Jly	£126.80	-0.80	£129.25
No2 Hard Wint	‡		‡
Other commodities			
Cocoa ship't*	£2030	+13	£1830
Futures Jly	£1864.5		£1776.5
Coffee Ft. Jly	£2216	+59.5	£1996.5
Cotton A Index	89.35c	+0.05	89.05c
Gas Oil June	$254.5	-1.25	$244
Rubber (kilo)	73.5p	-0.5	77.75p
Sugar (raw)	£108w	+0.5	£111
Woolt'ps 64s	475p kilo		470p kilo

‡ Unquoted. z June. x June-July. u July. w May-June. † Per 75 lb flask. * Ghana cocoa. n Nominal. c Cents per pound.

LONDON OIL

The Gas Oil market opened about $1.00 higher but quickly dropped to unchanged as the weak currencies applied pressure. Later, a strong New York combined with an easing of the dollar to push the market up and keep it steady until the close, reports Premier Man.

PRODUCTS—North West Europe (prompt delivery cif $ per tonne)

Premium gasoline	269-274	+1.5
Gas Oil	236-242	—
Heavy fuel oil	184-187	—

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arabian Light	28.60-28.85	+0.07
Iranian Light	27.45-27.60	+0.03
Arab Heavy	26.90-27.00	+0.03
North Sea (Forties)	29.35-30.40	+0.12
North Sea (Brent)	30.40-30.50	+0.05
African Bonny Lt	30.30-30.40	+0.05

GAS OIL FUTURES

Month	Yest'day's close	+ or —	Business Done
	U.S. $ per tonne		
May	259.75	+0.25	260.75-58.75
June	254.00	+1.50	255.25-52.50
July	244.00	+1.25	246.50-42.00
Aug	246.50	+1.25	247.50-44.50
Sept	248.50	+2.00	247.75-47.00
Oct	250.50	+1.50	251.00
Nov	251.25	+0.25	—
Dec	254.50		—
Jan	254.50		—

Turnover: 1,463 (1,297) lots of 100 tonnes.

GOLD MARKETS

Gold rose $3½ on the London bullion market to close at $373¾-374. It opened at $369¾-369¼ and was fixed at $370.10 in the morning and $371.75 in the afternoon. The metal touched a low of $369-369½, and a peak of $373¾-374¼.

In Paris the 12½ kilo gold bar was fixed at FFr 102,000 per kilo ($370.53 per ounce) in the afternoon, compared with FFr 101,800 ($369.76) in the morning, and 102,000 ($371.86) Wednesday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 33,265 per kilo ($370.76 per ounce), against DM 33,335 ($373.51), and closed at $373-373½, compared with $372½-373½.

In Luxembourg the 12½ kilo bar was fixed at the equivalent of $369.50 per ounce, against $372.80.

In Zurich gold finished at $373½-374, compared with $372½-373.

LONDON FUTURES

Month	Yest'day's close	+ or —	Business Done
	$ per troy ounce		
May			
June	374.20-74.40	-0.65	376.50-71.00
Aug	381.20-81.30	-1.00	381.00-78.00
Oct	404.70-04.80	-0.85	402.40-00.20

Turnover: 511 (634) lots of 100 troy ounces.

	May 10	May 9
Gold Bullion (fine ounce)		
Close	$373¾-374 (£270-270½)	$370¾-371¼ (£269¾-260¼)
Opening	$369¼-369¾ (£266¾-268¼)	$372½-373 (£268¼-268¾)
Morning fixing	$370.10 (£266.556)	[illegible]
Afternoon fixing	$371.75 (£269.189)	$372.60 (£269.473)
Gold and Platinum Coins May 10		
Krugrnd	$383½-384¼ (£277¼-277¾)	King Sov $90-91 (£65-66)
½ Krug.	$197¾-198¼ (£143-143½)	Victoria Sov $90-91 (£65-66)
¼ Krug.	$101-101½ (£73-73½)	French 20s $71-78 (£51½-56¼)
1/10 Krug	$41¼-42 (£30-30½)	50 pesos Mex $460-466 (£332½-337)
Mapleleaf	$383¼-384 (£277-277¾)	100 Cor Aust $365-368 (£264-266)
New Sov.	$87¼-88¼ (£63-64)	$20 Eagles $580-600 (£420-437)
½ New Sov.	$52½-53½ (£38-38½)	Noble Plat. $393¼-399¼ (£285¼-288¾)

EUROPEAN MARKETS

ROTTERDAM, May 10

WHEAT—(U.S. $ per tonne): U.S. two soft red winter mid-June/mid July 151.50, Aug. 149.50, Sept. 151.50. U.S. two northern spring 14 per cent protein May 186, June 184, July 182, August 178.50, Sept. 177, Oct. 177.50, Nov. 179. U.S. three hard amber durum: May 190, June 184.50, July 183, August 182.50, Sept. 180, Oct. 183, Nov. 185. Canadian one western amber durum: May 196, mid-May/mid-June 195.50, June 202, Nov. 199.

Maize—(U.S. $ per tonne): U.S. three yellow May 161.25, June 160.75, July 161.25, July/Sept 159, Oct/Dec 140 sellers. Argentine Plate afloat 162, May 162, June 162 sellers.

Soyabeans—(U.S. $ per tonne): U.S. two yellow Gulfports May 330.70, June 331.10, July 331.80, Aug 332.20, Sept 311, Oct 284.60, Nov 284.20, Dec 286.40, Jan 290.10, Feb 294.10, Mar 297.10 sellers.

Soyameal—(U.S. $ per tonne): 44 per cent afloat 213, May 218.50, June 218, July/Sept 220, Oct/Dec 216, Nov/Mar 210.50 sellers. Pellets Brazil afloat 218, April 220, May 215, June 216, July 217, May/Sept 222, Oct/Dec 232 sellers. Pellets Argentine afloat 218, May 215, June 217, July 218, July/Sept 216 sellers.

PARIS, May 10.

Sugar—(FFr per tonne): Aug 1401/1404, Oct 1470/1472, Dec 1510/1520, March 1726/1730, May 1800/1815, Aug 1875/1895.

Cocoa—(FFr per 100 kg): May 2270/2290, July 2310 bid, Sept 2375 value, Dec 2272/2277, March 2225/2247, May 2265 bid, July 2270 bid.

BRITISH COMMODITY PRICES

BASE METALS

BASE-METAL PRICES were easier on the London Metal Exchange. Copper encountered Commission House selling in early trading and fell to £1,017, but subsequently rallied on trade support and touched £1,030.5 before slipping back to close at £1,029.5. Lead fell away following renewed speculative selling and closed at £313.5 while Aluminium was finally £937.5, after £936, in the wake of the IPAI stocks figures.

COPPER

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grade	£	£	£	£
Cash	1004-6	-1.75	1012-3	.....
3 months	1032-.5	-2.25	1029-30	-.75
Settlem't	1006	-1	—	—
Cathodes				
Cash	1003-4	-2.9	1012-3	—
3 months	1013-5	-2.25	1023-.5	+.75
Settlem't	1004	-5	—	—

Amalgamated Metal Trading reported that in the morning three months Higher Grade traded at £1,020.5, 21, 21.5, 22, 22.5. Cathodes: Cash £1,004. Kerb: Higher Grade: Three months £1,022, 23. Afternoon: Higher Grade: Three months £1,026, 26.5, 27, 28, 29, 28.5, 29, 29.5, 30, 30.5, 30, 29.5. Cathodes: Three months £1,023. Kerb: Higher Grade: Three months £1,029, 28, 29, 30, 30.5, 30, 29, 28.5, 28, 29. Turnover: 30,125 tonnes. U.S. Producers: 69-73 cents per pound.

TIN

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grade	£	£	£	£
Cash	9095-6	-37	9095-100	-8.5
3 months	9085-8	-19.5	9080-1	-4.5
Settlem't	9096	-59	—	—
Standard				
Cash	9040-5	-25	9035-45	+8.5
3 months	9025-8	-29	9030-5	+5.5
Settlem't	9045	-25	—	.....
Straits E.	$29.15	—	—	.....

Tin — Morning: Standard: Three months £9,040, 35, 30, 28. High Grade: Cash £9,090, 95, three months £9,085, 80. Kerb: Standard: Three months £9,035, 32, 30. High Grade: Three months £9,080. Afternoon: Standard: Three months £9,030, 25, 31. High Grade: Three months £9,081, 80. Kerb: Standard: Three months £9,030. High Grade: Three months £9,080. Turnover: 3,640 tonnes.

LEAD

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	315.5-4	-.75	307-8	-5.5
3 months	310.5-80	-.5	313.5-4	-8
Settlem't	314	-1	—	.....

Lead—Morning: Three months £317.5, 18, 19, 15.5, 20. Kerb: Three months £312.5, 20. Afternoon: Three months £320, 19.5, 15, 18, 17.5, 17, 15, 15, 14, 13.5, 14. Kerb: Three months £313, 13.5. Turnover: 30,750 tonnes. U.S. Spot: 25-28 cents per pound.

ZINC

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	688-9	-6	695-6	+1
3 months	672.5-3	-5.25	676-5	-1
Settlem't	689	-6	—	.....

Zinc—Morning: Cash £689, three months £670, 68, 68.5, 69, 70, 72, 73, 72.5. Kerb: Three months £672, 73, 74. Afternoon: Cash £696, 95, 96, three months £675, 76. Kerb: Three months £675. Turnover: 35,375 tonnes. U.S. Prime Western: 52.75-53.75 cents per pound.

ALUMINIUM

Alumin'm	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Spot	914-5	-28.5	917-.0	-31
3 months	936-7	-28.5	938.5-9	-22.5

Aluminium—Morning: Three months £945, 44.5, 44, 43.5, 43, 41, 40, 39.5, 37, 36, 36.5. Kerb: Three months £937.5, 38, 39, 40. Afternoon: Three months £938, 39, 40, 40.5, 40, 39, 38.5. Kerb: Three months £939, 40, 39.5, 39, 38. Turnover: 25,200 tonnes.

NICKEL

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —†
Spot	3450-5	-31	3455-60	-15
3 months	3535-40	-28	3535-8	-16.5

Nickel—Morning: Cash £3,455, three months £3,540. Kerb: Three months £3,540. Afternoon: Three months £3,540, 45, 38, 35. Kerb: Three months £3,540, 35. Turnover: 510 tonnes.

SILVER

Silver was fixed 2.1p an ounce lower for spot delivery in the London bullion market yesterday at 623.55p. U.S. cents equivalents of the fixing levels were: spot 860.5c, down 4.5c; three-month 884.8c, down 4.4c; six-month 912c, down 4.2c; and 12-month 968.4c, down 3.4c. The metal opened at 617-620p (850-853c) and closed at 631½-634½p (874-877c).

SILVER per troy oz	Bullion fixing price	+ or —	L.M.E. p.m. Unofficial	+ or —
Spot	623.55p	-2.10	630p	+4.25
3 months	637.50p	-2.10	644.5p	+4.25
6 months	653.20p	-2.20	—	.....
12 months	684.40p	-2.25	—	.....

LME—Silver (2,000 oz contract): Cash 630p (624p); three months 644.5p (638.5p). Turnover: 0 (0).

Turnover: 73 (88) lots of 10,000 ozs. Morning: Large three months 638.0, 39, 39.5, 39.3. Kerb: large three months 640.0. Afternoon: large three months 642.0, 42.5, 45.0. Kerb: three months large 643.0, 42.

COCOA

Futures opened quietly some £15 lower but attracted buying interest during the early morning and steadied £25 to hold these levels through to the closing call. Physicals attracted consumer interest for forward positions but producers seen content to remain sidelined, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
	£ per tonne		
May	1930-45	+0.0	1952-10
July	1064-65	+18.5	1973-52
Sept	1860-02	+16.0	1868-58
Dec	1884-85	+11.0	1885-65
March	1860-51	+10.0	1858-52
May	1846-48	+9.5	1865-31
July	1830-48	+8.5	—

Sales: 4,454 (4,060) lots of 10 tonnes.

ICCO Indicator prices — (U.S. cents per pound). Daily prices for May 9: 118.39 (118.00): five-day average for May 10: 120.07 (120.37).

COFFEE

Bullish chart patterns and reports of cold weather in South America provided the momentum for a very steady session, reports Drexel, Burnham Lambert. Speculative buying became apparent during a busy afternoon.

COFFEE	Yesterd'ys Close	+ or —	Business Done
May	2195-98	+00.5	2180-45
July	2215-17	+59.5	2220-55
Sept	2180-82	+47.5	2188-40
Dec	2151-63	+30.5	2157-10
January	2093-94	+34.0	2093-07
March	2001-80	+37.5	2006-85
May	1278-80	+31.5	1078-60

Sales: 5,370 (4,311) lots of 5 tonnes.

ICO Indicator prices (U.S. cents per pound) for May 9: Comp daily 1979 144.25 (144.86): 15-day average 144.05 (same).

GRAINS

Business done—WHEAT: May 126.40-4.30, July 128.10-6.00, Sept. 108.00-7.50, Nov. 110.90-10.65, Jan. 113.80-3.60, Mar. 119.80-6.75. Sales 280 lots of 100 tonnes.

BARLEY: May 120.25-12.50, Sept. 106.50-6.35, Nov. 103.60-9.45, Jan. 112.40 only, Mar. 115.35-5.15. Sales 109 lots of 100 tonnes.

Old crop wheat moved 85p higher on stronger physical trade but met profit-taking to quickly decline £2.20 before rallying 80p towards the close. Barley was quiet but lost £1.75 after early trades of 25p up. New crops eased slightly on country hedge selling, reports Muirpace.

WHEAT Mnth	Yesterd'ys close	+ or —	BARLEY Yesterd's close	+ or —
May	125.00	-0.35	119.50	-1.50
July	126.80	-0.80	—	—
Sept	107.85	-0.25	106.35	-0.15
Nov	110.60	-0.40	109.40	-0.20
Jan	113.60	-0.40	112.30	-0.30
Mar	116.70	-0.30	115.15	-0.35

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 1, 14 per cent: June 144, July 142, Aug 139.50, Sept 138.25 sellers transhipment East Coast. English Feed, fob: May 129, June 129.50 sellers East Coast. Maize: U.S. No. 2 Yellow/French: May 147 seller, East Coast. Barley: English feed, fob: May 126.50 seller East Coast. Sorghum: U.S./Argentine/French: mid-May/mid-June 138 quoted cif free out. Rest unquoted.

NGCA—Locational ex-farm spot prices. Feed barley: S. East 122.60, S. West 120.10, W. Mids 120.40, N. West 120.90. The UK monetary co-efficient for the week beginning Monday May 14 is expected to change to 0.951.

PIGMEAT

Renewed buying interest pushed prices above the recent range, which encouraged further short-covering. Absence of sellers saw levels steady throughout the day and close on the highs, reports CCST Commodities.

Month	Yesterdays close	Previous close	Business done
	p. per kilo (deadweight)		
June	118.4	116.8	118.5-117.5
Aug	115.0	114.5	115.0-114.5
Oct	119.5	118.9	119.8-119.1
Nov	120.2	119.7	120.2-120.0
Feb	117.0	116.7	117.3-117.0
April	117.1	116.8	—

Sales: 186 (89) lots of 50 carcases 3,250 kilos.

POTATOES

May found strong buying support, hitting stop-loss orders above £250.00 to rise rapidly to £260.00 before falling back. In the afternoon prices declined further. New crops fell on long liquidation and fresh selling as rain forecasts became widespread, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business Done
	£ per tonne		
May	245.10	245.50	260.0-245.5
Nov	75.00	80.50	79.60-74.20
Feb	85.50	80.00	86.00
April	99.30	105.10	100.50-98.1
May	107.50	113.00	—

Sales: 911 (591) lots of 40 tonnes.

RUBBER

PHYSICALS — The London market opened steadier, attracted little follow-through interest throughout the day and closed uncertain, reports Lewis and Peat. Closing prices (buyers): spot 72.50p (73.00p): June 79.00p (77.00p): July 79.50p (77.50p). The Kuala Lumpur June fob price for RSS No. 1 was 233.5 (233.0) cents a kg and for SMR 20 was 219.5 (216.0).

FUTURES—Close (buyer, seller, business). RSS No. 1 £ per tonne. June 720, 750, nil; July 720, 760, nil; August 770, 760, 769; Sept. 776, 782, 780; Oct. 785, 791, 791; Nov. 797, 800, 799; Dec. 805, 810, nil; Jan. 813, 820, nil; Feb. 820, 830, nil; Apr./June 832, 852, nil; July/Sept. 850, 865, nil; Oct./Dec. 870, 880, nil. Sales: 156 (115) lots of 5 tonnes.

SOYABEAN MEAL

The market opened unchanged, reports T. G. Roddick. There was great selling interest from shippers who helped ease the market by £1.50-2.00 before commercial support emerged.

	Yestday's close	+ or —	Business Done
	£ per tonne		
June	152.90-53.70	-1.19	154.50-54.00
August	157.70-58.00	-0.30	158.70-52.60
October	156.80-57.00	-1.50	158.70-57.50
Dec	160.60-58.90	-1.50	—
Feb	160.50-61.50	-0.50	162.00-61.50
Apr	160.80-62.00	-0.60	165.00-61.50
June	158.00-62.40	-1.10	—

Sales: 89 (172) lots of 100 tonnes 320 (60) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar £108.00 ($149.00), up 50p (down 50c), a tonne fob. May-June delivery. White sugar $163.50, unchanged.

Prices initially gained ground on some scattered trade buying but later, after the EEC granted a record high level of over 42 Ecus for 60,600 tonnes, the trend was reversed, reports C. Czarnikow.

No. 6 Con-tract	Yest'day's close	Previous close	Business done
	$ per tonne		
Aug	158.60-58.80	156.20-58.40	158.00-55.60
Oct	166.40-66.80	169.00-69.20	169.20-65.40
Dec	173.40-73.80	175.20-75.60	174.40-73.60
Mar	192.00-92.80	193.60-94.00	194.00-91.40
May	200.40-00.80	201.00-02.00	199.20
Aug	209.60-10.00	219.60-12.00	—
Oct	218.00-21.40	221.00-24.00	—

Sales: No 6 2,092 (2,804) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £213.50 (£213.00) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports). Prices for May 9: Daily price 5.47 (same); 15-day average 5.78 (5.82).

WOOL FUTURES

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. May 425 buyer only, 425; August 443, 445, 443; Oct. 446, 451, nil. Dec. 454, 456, 454.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. May 567.0, 570.0, 569.5; July 578.0, 579.0, 580.0-579.0; Oct 570.0, 572.0, 570.0; Dec 577.0, 579.0, untraded; March 585.0, 588.0, u/t; May 593.0, 596.0, u/t; July 598.0, 601.0, u/t; Oct 593.0; 598.0, u/t. Sales: 13.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 50 tonnes. Few contracts of note were secured but here and there useful demand was encountered, chiefly in the North American and African styles. The call for Middle Eastern growths was negligible.

INDICES

FINANCIAL TIMES

May 10	May 9	M'th ago	Year ago
311.16	310.68	304.73	271.76

(Base: July 1 1952=100)

REUTERS

May 10	May 9	M'th ago	Year ago
1990.0	1988.8	2000.5	1800.2

(Base: September 18 1931=100)

MOODY'S

May 9	May 8	M'th ago	Year ago
1068.9	1071.0	1077.9	1068.1

(Base: December 31 1931=100)

DOW JONES

Dow Jones	May 9	May 8	Month ago	Year ago
Spot	136.58	136.4	141.02	144.58
Fut's	139.31	138.98	143.5	149.75

(Base: December 31 1974=100)

MEAT/FISH

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 100.80p per kg lw (+2.02). GB—Sheep 215.92p per kg est dcw (+0.30). GB—Pigs 97.64p per kg lw (+9.76).

SMITHFIELD (Pence per pound). Beef: Scotch killed sides 77.0 to 84.0; English hindquarters 100.0 to 105.0, forequarters 51.0 to 55.0. Veal: Dutch hinds and ends 120.0 to 124.0. Lamb: English small (new season) 100.0 to 108.0, medium (new season) 98.0 to 105.0, heavy (new season) 98.0 to 88.0; Imported: New Zealand PL (new season) 67.0 to 88.0. Pork: English under 100 lb 53.5 to 59.0, 100-120 lb 54.0 to 67.5, 120-160 lb 48.0 to 56.0.

Imported produce: Tangors—Jaffa: 6.20-6.60. Topaz—Jaffa: 4.90-5.85. Kasra—Spania: 2.80-3.40. Oranges—Spania: 5.50-5.50; Moroccan: Maroc Lates 4.00-8.80; Jaffa: Valencia Lates 15-kg 56 5.50, 72 5.00, 88 4.55, 100 4.40, 113 4.55; 20-kg 80 7.80, 75 7.90, 88 6.20, 105 5.40, 123 5.40, 144 9.00; Cyprus: Aprox 15-kg Valencia Lates 3.80-5.50; Egyptian: Valencia Lates 2.60-3.00. Lemons—Italian: carton 4.50-4.80; Cyprus: 10-kg boxes 2.50-3.60; Spania: 5-kg 1.70-2.00; 15-kg 5.20-5.50; Jaffa: 15-kg 4.80-5.60; Outspan: 15-kg 6.50-7.00. Grapefruit—U.S.: Ruby 9.40-10.00; Cyprus: 32 3.80-4.00, 40 3.80-4.20, 15 3.50-3.80, 56 3.60-4.00, 64 3.60-4.00; Jaffa: 20-kg 27 4.80, 12 5.20, 36 5.60, 40 5.50, 48 5.60. Pomelos—Jaffa: 5.20-6.85.

COVENT GARDEN. Prices for the bulk of produce, in sterling per package unless otherwise stated. English Produce: Apples—per lb, Cox's 0.18-0.30, Ida Red 0.10-0.15, Bramley 0.21-0.30. Pears—Per lb, Conference 0.13-0.26. Potatoes—Whites 5.80-6.40, Edwards 6.40-7.00, Sebago 7.50-9.00. Mushrooms—Per lb, open 0.50-0.70, closed 0.75-0.50. Lettuce—Per tray round 1.00-1.40, Cos dozen 2.20-2.40. Onions—Per 55 lb 9.00-10.00. Beetroots—28 lb round 2.80-3.00. Swedes—28 lb 1.00-1.50. Carrots 28 lb 3.20-4.20. Greens—30 lb Kent 1.20-1.50. Leeks—Per lb 0.16-0.18. Tomatoes—Per lb 0.45-0.50. Cucumbers—Tray 2.50-3.00. Cauliflowers—Kent, dozen 3.20-3.50, Lincoln 2.40-2.91. Spring Onions—Bunch 0.12-0.14. Rhubarb—Outdoor per pound 0.10-0.12. Radishes—Bunched 0.14-0.15. Asparagus—Per lb 0.60-1.20. Celery—5.50-9.00. Courgettes—Isle of Wight, per lb 0.50.

AMERICAN MARKETS

NEW YORK, May 10

Gold and silver showed a firm tone on rumours that a major U.S. bank is in financial difficulty, reports Heinold Commodities. Copper also firmed in sympathy with precious metals along with reports of tightness in scrap availability. Aluminium was under pressure from technical selling along with reports of good cash availability. Sugar traded lower on the large offer of white sugar at the EEC selling tender. Cocoa was firm on reports of the Ivory Coast's requests for shipping extensions. Cooler temperatures moving toward the Brazilian coffee areas supported coffee values. Cotton was under pressure on long liquidation ahead of the export sales report. Heating oil was firm on concerns that shipping tankers which had loaded at Iran's Kharg Island. The grain complex came under pressure on the lack of export business and more favourable planting weather for corn. The soyabean complex was firm on strength in bean oil related to good export activity and a light supply.

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

	Close	High	Low	Prev
May	80.60	—	—	81.60
June	81.00	—	—	82.00
July	61.50	61.50	61.05	62.80
Sept	62.80	62.55	62.35	63.70
Dec	64.25	64.10	63.95	65.35
Jan	64.90	—	—	65.90
March	65.90	—	—	67.00
May	67.00	—	—	68.10
July	68.10	—	—	69.20
Sept	69.20	—	—	70.30

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
May	2610	2610	2580	2560
July	2627	2629	2585	2557
Sept	2625	2628	2585	2586
Dec	2545	2547	2510	2491
March	2513	2526	2487	2473
May	2513	—	—	2473
July	2513	—	—	2473

COFFEE "C" 37,000 lbs, cents/lb

	Close	High	Low	Prev
May	152.48	52.55	50.50	50.99
July	150.46	50.50	48.55	48.18
Sept	146.55	46.80	44.76	44.75
Dec	143.40	43.40	41.80	41.35
March	141.05	41.05	39.75	39.38
May	138.55	38.50	38.00	37.55
July	137.50	37.50	37.00	36.05
Sept	136.13	—	—	34.50

COPPER 25,000 lbs, cents/lb

	Close	High	Low	Prev
May	62.65	62.40	62.20	62.00
June	63.05	—	—	62.40
July	63.70	63.80	63.00	67.05
Sept	65.05	65.10	64.40	64.40
Dec	67.00	67.05	66.35	66.35
Jan	67.65	—	—	67.00
March	69.00	68.90	68.40	66.35
May	70.40	70.25	69.60	69.75
July	71.75	71.66	71.35	71.10
Sept	73.15	73.20	73.00	72.50

COTTON 50,000 lbs, cents/lb

	Close	High	Low	Prev
July	82.40	83.20	82.35	83.25
Oct	75.60	80.00	79.60	80.10
Dec	77.14	77.40	77.05	77.45
March	78.22	78.70	78.22	78.80
May	78.76	—	—	75.20
July	78.75	—	—	79.30
Oct	77.00	—	—	77.70

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
June	30.39	30.40	30.30	30.34
July	30.40	30.41	30.29	30.35
Aug	30.40	30.43	30.31	30.35
Sept	30.38	30.39	30.35	30.35
Oct	30.40	30.40	30.35	30.36
Nov	30.40	30.41	30.35	30.32
Dec	30.40	30.41	30.35	30.32
Jan	30.35	30.41	30.38	30.32
Feb	30.22	—	—	30.27
March	30.40	—	—	30.27

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
May	372.9	373.5	372.2	371.2
June	375.0	376.5	373.5	373.3
July	378.5	—	—	376.8
Aug	382.0	383.5	380.8	380.2
Oct	389.9	391.0	388.0	387.7
Dec	397.5	398.8	398.4	395.6
Feb	405.8	406.5	405.0	403.9
April	414.1	416.0	413.0	412.2
June	423.1	425.0	422.5	421.1
Aug	432.2	—	—	430.3
Oct	441.7	—	—	439.7
Dec	451.4	—	—	449.2
Feb	461.3	—	—	458.9

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
June	82.00	82.10	80.65	80.99
July	80.60	80.70	79.50	78.84
Aug	80.95	80.95	80.05	80.34
Sept	81.75	81.75	81.20	81.29
Oct	82.70	82.75	82.00	82.22
Nov	83.80	83.60	83.10	83.20
Dec	84.40	84.40	84.25	84.20

ORANGE JUICE 15,000 lbs, cents/lb

	Close	High	Low	Prev
May	185.10	86.75	84.90	87.45
July	186.25	87.00	84.55	86.35
Sept	184.15	84.75	83.10	84.65
Nov	180.90	81.25	79.10	80.00
Jan	179.50	79.75	77.50	78.00
March	178.25	79.00	77.60	78.00
May	177.75	77.25	77.00	77.00
Sept	177.25	—	—	76.50

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
May	385.0	—	—	379.5
June	385.3	—	—	383.0
July	389.5	381.5	387.5	386.5
Oct	398.0	389.5	397.0	394.7
Jan	406.1	407.0	403.5	402.7
April	414.2	413.5	413.5	410.7
July	422.7	—	—	410.1

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Sept	2620	2624	2585	2566
May	878.0	880.0	868.9	861.8
June	882.5	879.0	873.0	866.5
July	891.0	894.0	878.9	875.0
Sept	909.0	910.0	896.0	892.9
Dec	936.1	939.5	923.0	919.3
Jan	945.7	944.0	944.0	928.7
March	965.0	966.0	954.0	947.8
May	984.8	981.0	979.0	967.2
July	1005.5	1006.0	989.0	987.6
Sept	1027.5	1024.0	1024.0	1009.1

SUGAR WORLD "11" 112,000 lbs, cents/lb

	Close	High	Low	Prev
July	5.58	5.81	5.56	5.71
Sept	5.91	6.13	5.90	6.03
Oct	6.14	6.37	6.12	6.29
Jan	6.64	6.91	6.65	6.85
March	7.27	7.50	7.27	7.43
May	7.62	7.83	7.60	7.76
July	7.95	8.15	7.95	8.07
Sept	8.25	8.50	8.40	8.45
Oct	8.40	8.65	8.55	8.61

CHICAGO

LIVE CATTLE 40,000 lbs, Cents/lbs

	Close	High	Low	Prev
June	66.12	67.35	65.90	66.57
Aug	63.65	64.37	63.45	63.27
Oct	62.32	63.05	62.15	62.57
Dec	63.15	63.80	63.10	63.47
Feb	63.80	64.15	63.75	63.95
April	64.40	64.60	64.40	64.47

LIVE HOGS 30,000 lbs, Cents/lbs

	Close	High	Low	Prev
June	54.90	55.30	54.60	54.97
July	58.47	58.80	58.20	58.42
Aug	58.50	59.07	58.35	58.75
Oct	56.20	56.50	56.10	56.30
Dec	56.55	56.85	56.40	56.75
Feb	56.77	57.07	56.55	56.88
April	52.40	53.00	52.30	52.85
June	54.87	55.00	54.75	55.00
July	54.02	54.02	54.00	54.10

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
May	348.8	350.0	347.2	349.2
July	346.2	347.0	344.2	347.2
Sept	310.2	320.6	318.0	320.4
Dec	296.8	299.0	296.2	299.0
March	306.4	307.6	305.0	308.2
May	309.0	311.0	309.0	311.2

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
May	66.55	68.25	66.46	67.87
July	66.45	68.20	66.38	67.72
Aug	65.65	67.20	65.50	66.47
Feb	76.90	77.45	76.50	76.62
March	76.00	76.40	75.90	75.00
May	77.70	78.20	77.40	77.75
July	78.90	79.10	78.50	78.65
Aug	76.30	76.30	76.30	75.00

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
May	837.0	830.0	826.4	827.5
July	840.9	846.4	832.0	836.0
Aug	824.0	829.0	818.4	824.2
Sept	762.4	766.4	760.0	764.4
Nov	720.4	724.4	719.0	724.4
Jan	730.0	735.0	729.0	734.4
March	741.0	745.4	740.4	746.4
May	748.4	751.0	748.0	753.4
July	753.4	756.0	753.4	758.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
May	189.0	191.0	189.0	189.1
July	195.1	197.0	194.5	195.1
Aug	196.2	197.7	195.9	196.1
Sept	193.2	194.0	191.0	192.2
Oct	189.0	187.0	183.5	185.3
Dec	187.5	188.5	186.0	186.8
Jan	189.2	190.0	188.0	188.0
March	192.5	193.0	191.0	190.8
May	194.2	—	—	192.0

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
May	36.87	36.90	36.10	36.53
July	35.44	36.46	35.58	36.17
Aug	35.10	35.23	34.59	35.02
Sept	32.85	33.30	32.60	33.27
Oct	30.05	30.35	29.60	30.20
Dec	28.52	28.70	28.00	28.55
Jan	27.95	28.25	27.50	28.03
March	27.80	28.10	27.50	28.00
May	28.10	—	—	28.37

WHEAT 5,000 bu min, cents/60 lb bushel

	Close	High	Low	Prev
May	368.4	370.0	365.4	368.4
July	344.2	347.4	343.4	344.4
Sept	344.4	347.9	344.2	344.6
Dec	358.0	361.0	358.0	357.5
March	367.4	370.0	367.4	368.4
May	371.0	—	—	371.0

SPOT PRICES—Chicago loose lard 31.75 (31.00) cents per pound. New York tin 682.0-87.0 (684.0-88.0) cents per pound.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firm in erratic trading

The dollar finished above Wednesday's closing levels in London yesterday but below the day's highs. Trading was extremely volatile in relatively low volume with the dollar-D-mark rate moving 30 or 40 points at a time. Rumours of liquidity problems associated with a leading U.S. bank tended to push the dollar down from the day's highs but its undertone remained firm with Euro-dollar interest rates rising by an average 1/16 of a point.

The dollar closed at DM 2.7720 up from DM 2.7660 on Wednesday but down from a high of DM 2.7965 as the market lacked sufficient conviction for the time being to push through the DM 2.80 level. It rose to SwFr 2.2840 from SwFr 2.277, against the Swiss franc and Y229.10 compared with Y228.75. It was also higher against the French franc at FFr 8.5225 from FFr 8.4825. On Bank of England figures, the dollar's trade weighted index rose from 131.6 to 131.9.

West German and Japanese central banks were active selling dollars in an effort to contain the rise. In early New York trading however the dollar rose sharply back to DM 2.7825 and Y229.65.

STERLING — Trading range against the dollar in 1984 is 1.4940 to 1.3850. April average 1.4226. Trade weighted index 80.1 against 80.1 at noon and 79.9 in the morning and compared with 80.6 on Wednesday and 83.9 six months ago.

Sterling touched an all time low against the dollar of $1.3750, having opened at $1.3780. It finished at a record closing low of $1.3845-1.3855, a fall of 50 points from Wednesday's closing level in London. It was also a little weaker against the D-mark at DM 3.8425 from DM 3.8450 and SwFr 3.1650 compared with SwFr 3.1675. Against the French franc it improved to FFr 11.80 from 11.7850 but eased to Y317.50 from Y318.25.

D-Mark—Trading range against the dollar in 1984 is 2.8425 to 2.5535. April average 2.6435. Trade-weighted index 124.2 against 126.0 six months ago.

The D-mark lost ground to most major currencies at the Frankfurt fixing. The Bundesbank intervened heavily, selling dollars to prevent the U.S. unit moving through the DM 2.80 level as it had in the Far East earlier in the day. Total sales by the German central bank were probably slightly below £150m, including $78.05m at the fixing, as the dollar rose to DM 2.7885 from DM 2.7769. This was the largest amount of support for the D-mark at any fixing since December 9, when the Bundesbank sold $97.35m. A sharp rise in Eurodollar rates following disappointment at Wednesday's U.S. Treasury note auction, and news that local strikes by German engineering workers will start Monday were the major factors behind the dollar's continued strength. Sterling rose to DM 3.8520 from DM 3.84 at the fixing, and the Swiss franc to DM 1.2183 from DM 1.2170.

JAPANESE YEN — Trading range against the dollar in 1984 is 234.80 to 223.10. April average 225.13. Trade-weighted index 160.1 against 153.2 six months ago.

The yen weakened against the dollar in Tokyo despite some intervention by the Bank of Japan. This was fairly limited however, and probably totalled less than $100m, mainly through sales of dollars during the morning before the dollar moved above the Y230 level. It touched a peak of Y231.45, but then fell back to close at Y230.35, compared with Y229.10 on Wednesday. A sharp rise in the average yield at the U.S. Treasury 10-year note auction to 13.16 per cent from 11.7 per cent contributed to the strength of the dollar as did news of the West German engineering workers' pending strike. Movements of the yen were closely linked to the performance of the D-mark, with DM 2.80 regarded as an important support level.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU May 10	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	45.6689	+1.71	+1.61	±1.5447
Danish Krone ...	8.14104	8.19986	+0.72	+0.62	±1.6425
German D-Mark	2.24184	2.24467	+0.13	+0.03	±1.0642
French Franc ...	6.87456	6.88982	+0.22	+0.12	±1.4052
Dutch Guilder ...	2.52595	2.52188	−0.15	−0.26	±1.4964
Irish Punt	0.72569	0.730129	+0.61	+0.51	±1.6699
Italian Lira	1403.49	1378.55	−1.78	−1.78	±4.1505

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ in New York (latest)

	May 10	Prev. close
Spot	$1.3860-3830	$1.3810-3820
1 month	0.26-0.29 dis	0.23-0.27 dis
3 months	0.84-0.88 dis	0.19-0.80 dis
12 months	3.65-3.75 dis	0.03-3.40 dis

£ forward rates are quoted in U.S. cents discount.

THE POUND SPOT AND FORWARD

May 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]						

Belgian rate is for convertible francs. Financial franc 78.85-78.95. Six-month forward dollar 1.77-1.82c dis, 12-month 3.70-3.80c dis.

THE DOLLAR SPOT AND FORWARD

May 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]						

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.45-37.50.

OTHER CURRENCIES

May 10	£	$		Note Rates
[illegible]				

* Selling rates.

CURRENCY MOVEMENTS

May 10	Bank of England Index	Morgan Guaranty Changes%
[illegible]		

Morgan Guaranty changes: average 1980-82=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

May 10	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]			

*CS/SDR rate for May 9: 1.34530

EXCHANGE CROSS RATES

May 10	Pound Sterling	U.S. Dollar	Deutsche m'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
[illegible]										

EURO-CURRENCY INTEREST RATES (Market closing rates)

May 10	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Kroner
[illegible]												

Asian $ (closing rates in Singapore): Short-term 10⅞-11 per cent; seven days 10⅞-11 per cent; one month 11 1/16-11 3/16 per cent; three months 11 11/16-11 13/16 per cent; six months 12⅛-12¼ per cent; one year 12 23/32-12 25/32 per cent. Long-term Eurodollars two years 13⅛-13⅜ per cent; three years 13½-13¾ per cent; four years 13½-13¾ per cent; five years 13¾-14 per cent nominal closing rates. Short-term rates are call for U.S. banks and Japanese yen; two days' notice.

MONEY MARKETS

UK rates continue to rise

UK interest rates were firmer in London yesterday in spite of a ½ to ¾ per cent increase in UK base rates. There had been some disappointment on the announcement with some dealers hoping for a full one point increase in order to offset further upward pressures.

The Bank of England increased its dealing rates by half a point, in line with a half point rise by three of the four main English clearing banks. Three-month interbank money rose to 9 7/16-9 9/16 per cent from 9 5/16-9½ per cent while three-month eligible bank bills were bid at 8 13/16-8 15/16 per cent down from 9 1/16 per cent.

The Bank of England forecast a shortage of around £150m with factors affecting the market including maturing assistance and a take up of Treasury bills together totalling £101m and Exchequer transactions draining a further £75m. On the other hand there was a fall in the note circulation of £10m and banks brought forward balances £10m above target.

The forecast was later revised to a shortage of around £250m and the Bank gave assistance in the morning of £212m. This comprised purchases of £1m in eligible bank bills in band 1 (up to 14 days) at 9 1/16 per cent and £1m in band 2 (15-33 days) at 9 per cent. In band 3 (34-63 days) it bought £10m of eligible banks bills at 8 15/16 per cent and in band 4 (64-91 days) £44m of local authority bills at 8⅞ per cent and £156m of eligible bank bills at 8⅞-8 15/16 per cent.

Further help was given in the afternoon of £54m through purchases of eligible bank bills in band 4 (64-91 days) at 8⅞ per cent, making a total of £266m.

In Frankfurt demand increased for short term funds as banks built up reserve positions on fears of a rise in the Lombard rate. The amount outstanding through this facility rose to DM 8.5bn on Wednesday from DM 7.1bn on Tuesday. Banks were anxious to borrow at the current rate of 5.5 per cent just in case the authorities moved to protect the D-mark against the dollar by increasing rates.

Upward pressure on rates was also the result of some DM 3bn of maturing currency swaps and payment on the latest tranche of two-year Government bonds which accounted for a further DM 500m. However, there may not be any immediate move in order to increase liquidity with a further DM 1.5bn of Bundesbank profits due to be transferred some time this month.

UK clearing banks' base lending rate 9-9¼ per cent (since May 10 and 11)

MONEY RATES

May 10	Frankfurt	Paris	Zurich	Amst'dem	Tokyo	Milan	Brussels	Dublin
Overnight	5.5-5.6	11⅞	9-5	5¼-5⅝	5.59515	15½-15⅞	7.50	10½-11
One month	5.8-6.0	12-12⅛	3¼-3⅝	5 11/16-6 1/16	6.09575	10½-10⅞	11⅝-11⅞	12⅜-16⅝
Two months	5.90-6.05	12-12⅛	—	—	—	—	—	12⅛-19⅜
Three months	6.0-6.2	12 1/16-12 3/16	3⅞-4	6⅛-6 3/16	6.21875	15¾-11⅛	11⅞-12⅛	12⅝-19⅞
Six months	6.2-6.4	12 1/16-12 3/16	—	6¼-6 7/16	—	—	11⅞-12⅛	19⅞-13⅛
Lombard	0.0	—	—	—	—	—	—	—
Intervention	—	11¾	—	5⅞	—	—	—	—

LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

May 10 1984	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	½-8⅜	7¼-7¾	4-7⅛	1-8½	—	—	—	—	—
2 days notice	—	—	8⅜-8⅝	—	—	—	—	—	—	—
7 days or ...	—	—	—	—	—	—	—	—	—	—
7 days notice	—	7¾-8 11/16	8¼	6¾-8¾	8	—	—	—	—	—
One month	9⅛-8 15/16	0-0¼	8	9-8⅝	0	8 1/16-9	8⅞	8 15/16-9	8⅞	9⅝
Two months	9 1/16-8 15/16	9¼-9 1/16	9¼	9⅝	9	9-9 1/16	8 15/16	9-9 1/16	8 15/16	9 5/16
Three months	0 1/16-0¼	9 7/16-0 9/16	9 7/16	9⅞	9	8 13/16-8 15/16	8 15/16	8 13/16-9	8 15/16	0 7/16
Six months	9⅜-0½	8¾-10	9¾	—	—	—	—	9¼-9	9½-9	9 13/16
Nine months	0¾-9⅞	10-10⅛	9½	—	—	—	—	—	—	—
One year	0 1/16-9¾	10⅛-10 3/16	10 3/16	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	9⅝-9¼	—	9	10.85-11.05	9¼-8½	0 1/16-9⅜
Two months	9¾-9⅜	—	0¼	11.15-11.25	9⅝-9⅞	0¼-9 1/16
Three months	9⅞-9⅛	—	9 7/16	14.85-14.45	8½-10 1/16	9⅜-9 9/16
Six months	10-0½	—	0 9/16	11.8-11.8	10⅛-10⅜	9¾-9 13/16
Nine months	10½-10⅛	—	10 1/16	12.85-12.25	—	—
One year	10⅛-10⅛	—	10 7/16	12.35-12.55	10 7/16-10½	10 7/16-10⅜
Two years	—	10⅝	—	—	—	—
Three years	—	11	—	—	—	—
Four years	—	[illegible]	—	—	—	—
Five years	—	[illegible]	—	—	—	—

ECGD Fixed Rate Export Finance Scheme IV. Average Rate of interest period April 4 to May 1 1984 (inclusive): 9.934 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 9 per cent from May, 1984. London and Scottish Clearing Bank Rates for lending 9-9¼ per cent. London Deposit Rate for sums at seven days' notice 5¾-6 per cent. Treasury Bills Average tender rates of discount 8.9426 per cent. Certificates of Tax Deposit (Series 6). Deposit of £100,000 and over held under one month 9¼ per cent; one-three months 9½ per cent; three-six months 9½ per cent; six-nine months 10 per cent; nine-12 months 10¼ per cent. Under £100,000 9 per cent from May 10. Deposits held under Series 4-5 10 per cent. The rate for all deposits withdrawn for cash 7 per cent.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	11½
Broker loan rate	12-12¾
Fed funds	11
Fed funds at intervention	—

Treasury Bills

One month	0.30
Two month	0.53
Three month	0.89
Six month	10.14
One year	10.22

Treasury Bonds

Two year	99⅞
Three year	99¾
Four year	97⅝
Five year	95⅞
Seven year	96¾
10 year	99⅞
30 year	90¾

FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING (11.00 a.m. May 10)

3 months U.S. dollars

bid 11 3/4 | offer 11 7/8

6 months U.S. dollars

bid 12 1/4 | offer 12 3/8

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

FINANCIAL FUTURES

Eurodollars weak

Events in the U.S. continued to have a major influence on the London International Financial Futures Exchange yesterday, and volume on life was a record 15,152 contracts. The U.S. Treasury 10-year note auction on Wednesday was regarded as very disappointing, with the sharp rise in the average yield leading to strong upward pressure on Eurodollar interest rates in the cash market. Dealers suggested that apart from lending further support to the argument that high U.S. interest rates are here to stay for some time the rise in Eurodollar rates also reflected nervousness on rumours that a major U.S. bank may be in some difficulty. Three-month Eurodollars for June delivery opened sharply lower at 88.21, but at that level met with some buying interest as one bank bought into the market to take profits on earlier short positions. This was fairly short lived however, and after the June contract touched a peak of 88.24 it closed at 88.16, compared with the day's low of 88.12, and the previous settlement figure of 88.39.

Rumours about a U.S. bank kept the pressure on the Eurodollar market and encouraged some swapping into Treasury bills.

Gilts for June delivery also opened weak at 104-26, although this was fairly near the day's high of 104-29. Fears that this week's rise in UK bank base rates may not be enough to sustain market confidence pushed the contract to a low of 104-18, but it closed above the worst at 104-26, compared with 105-13, without any sign of heavy selling pressure.

The FTSE index was sold as equities opened depressed on the cash market, but there was some support at the lower levels, resulting in a modest rally as traders took profits after the recent sharp fall.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
June	88.16	88.24	88.12	88.39
Sept	87.47	87.60	87.41	87.75
Dec	87.03	87.16	86.98	87.31
March	86.88	86.81	86.67	86.98
June	86.34	86.46	86.34	86.64

Volume 8,749 (3,352)
Previous day's open int. 14,523 (14,726)

THREE-MONTH STERLING DEPOSIT £250,000 points of 100%

	Close	High	Low	Prev
[illegible]				

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
[illegible]				

STERLING £25,000 $ per £

	Close	High	Low	Prev
[illegible]				

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
[illegible]				

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
[illegible]				

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
[illegible]				

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
June	108.00	108.30	106.90	109.30
Sept	108.85	102.85	107.70	110.30
Dec	110.00	110.00	109.05	111.30

Volume 1,182 (1,079)
Previous day's open int. 403 (422)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
[illegible]				

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
[illegible]				

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
[illegible]				

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
[illegible]				

STERLING (IMM) $ per £

	Latest	High	Low	Prev
[illegible]				

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
[illegible]				

WORLD VALUE OF THE DOLLAR

Bank of America NT & SA, Economics Department, London

The Table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, May 9, 1984. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions. Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

COUNTRY	CURRENCY	VALUE OF DOLLAR
[illegible]		

n.a. Not available. (m) Market rate. * U.S. dollars per National Currency unit. (a) Freemarket central bank. (o) Official rate. (b) Freemarket interbank. (c) Commercial rate. (d) Freemarket. (e) Controlled. (f) Financial rate. (s) Preferential Rates (h) Non essential imports. (j) Floating tourist rate.

INTERNATIONAL CAPITAL MARKETS

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for May 10.

U.S. bank fears and rise in interest rates hit Eurobonds

BY MARY ANN SIEGHART IN LONDON

EUROBOND PRICES took a battering yesterday as short-term interest rates rose, while rumours of a crisis at Continental Illinois caused New York bond prices to fall. Dollar bonds were marked down by as much as a point and D-Mark issues by ⅜ point. Swiss franc foreign bonds lost up to ½ point.

One Continental Illinois Eurodollar issue was yielding 15¾ per cent by the end of the day.

In the dollar sector two new floating rate notes were launched, the first for three weeks. Tokai Bank is raising $150m through a 15-year note with redemption options for investors after 10 and 12 years. Led by Credit Suisse First Boston with Tokai International, Morgan Grenfell and Salomon Brothers, the bonds pay ⅛ per cent over the six-month London interbank offered rate at par with front-end fees of 0.625 per cent. The issue traded at a 0.45 per cent discount.

Portugal's state credit institution, Caixa Geral de Depositos, launched a $60m, 10-year issue with put options at five and seven years. The coupon is ¼ per cent over six-month Libor, and lead managers are Morgan Grenfell, Saudi International and Sumitomo Finance. Despite the hefty 2¼ per cent front-end fees, giving a straight-line all-in cost of 0.70 per cent over Libor, the issue traded at only a break-even level for co-managers.

Electricité de France's £75m bulldog bond, led by Kleinwort Benson, has been given an 11¼ per cent coupon at a price of 96.764 to yield 12.166 per cent.

Idec Izumi, the Japanese company which produces telecommunications antennae, is raising SwFr 25m through a five-year convertible private placement with an indicated 1⅞ per cent yield. SBC will price the deal on May 17.

BHF Bank bond average

May 10		Previous
99.211		99.406
High	1984	Low
100.009		98.058

WEEKLY U.S. BOND YIELDS (%)

	May 10	May 2	1984 High	1984 Low
Composite Corp. AA	13.65	13.32	13.65	12.19
Government:				
Long-term	13.11	12.84	13.11	11.51
Intermediate	12.92	12.63	12.92	11.23
Short-term	12.35	11.86	12.35	10.70
Municipal	n. a.	10.05	10.05	9.49
Industrials AAA	13.11	12.79	13.11	11.79
Industrials AA	13.47	13.09	13.47	12.02
Utilities AA	13.83	13.56	13.83	12.33
Preferred Stocks	11.86	11.56	11.78	11.07

Source: Standard & Poor's

OVER-THE-COUNTER